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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

Volume 2, Number 9
December, 1980

NRA's 1980 FORECAST ---FOR THE YEAR 1981

- Foodservice Industry Sales: $122.7 Billion in 1981.
- NRA Presents First Restaurant Sales Forecast For States and Regions—A Special Supplement to *Foodservice Trends*.
- Industry Sales Top $111 Billion In 1980.

FOODSERVICE INDUSTRY SALES: $122.7 BILLION IN 1981

Highlights

NRA's 1981 Foodservice Industry forecast—slow recovery and a return to real growth in sales moderated by continued inflation.

- **Foodservice industry sales are projected to reach $122.7 billion in 1981, a 10.2 percent increase over 1980.**
- **Real sales, adjusting for price increases, will advance 0.3 percent marking a return to real growth for the industry after two years.**
- **Sales for the Commercial Feeding Group are forecast to rise 10.3 percent to $103.5 billion while the Institutional Group progresses at a 10.0 percent rate.**
- **In-transit foodservice and restaurants at recreation and sports centers will post the largest real sales gains in the industry.**
- **Eating place sales, which account for nearly 60 percent of the industry's total, are projected to record a 10.6 percent increase in 1981, outpacing growth in 1979 and 1980.**
- **Real eating place sales, adjusted for menu price increases, will gain 0.6 percent next year reversing declines in the past two years.**
- **Menu prices in 1981 are expected to advance 10.0 percent, similar to the 10.1 percent gain in 1980 but more than one full percentage point below the 1979 increase.**
- **Sales growth for limited menu restaurants will lead the eating place group with a real gain of 2.3 percent.**

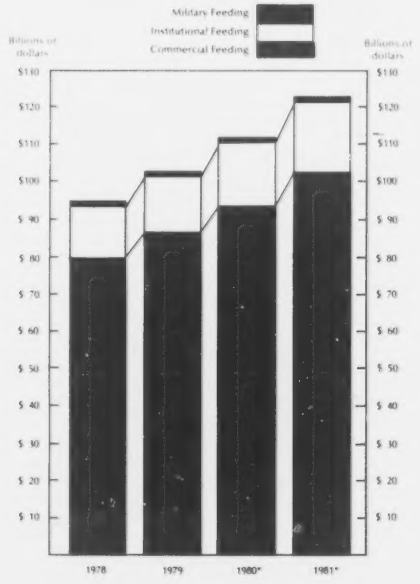
The information contained in this report was prepared in consultation with the research firm Malcolm M. Knapp, Inc.

Foodservice industry sales, as estimated by the National Restaurant Association, will exceed $122 billion in 1981 for a gain of 10.2 percent over this year's total of $111.3 billion. Sales will be up an estimated $11.4 billion in just one year; however, the real gain will be only $0.3 billion after adjusting for inflation.

Based on these projections the foodservice industry will experience a slow recovery next year as the economy posts modest gains from the recession of 1980. NRA's first time projections of real growth for all segments, adjusting for price increases, reveal that inflation will continue to be a fundamental issue confronting the economic health of the foodservice industry. Menu prices will be up at much the same rate as this year and real growth for the industry as a whole will be 0.3 percent.

Food and drink sales for the Commercial Group will approximate $103.5 billion next year, up 10.3 percent from $93.8 billion this year. The Commercial Group is expected to record a real sales increase of 0.4 percent following a decline in 1980 of 1.8 percent. For the Institutional Feeding Group sales, in current dollars, will advance at a 10.0 percent pace next year. Real sales are expected to be down by 0.2 percent, however.

Foodservice Industry Sales Projected to 1981



*Projected.

Modest as it may be, 1981 marks a return to real growth for the foodservice industry. With an improving economic outlook in 1982, next year may well set the stage for a significant recovery, especially for the Commercial Sector of the foodservice industry.

In addition, long term demographic and social trends continue to favor foodservice. The industry currently captures approximately 40 percent of the total food dollar, up from 33 percent in 1970. Based on demographic trends, we believe that if long range economic forecasts for a slowdown in the rate of inflation and renewed growth in personal income are on target, the proportion of the food dollar spent on food away from home will approach 50 percent by 1990.

Those demographic trends which will be most beneficial for the foodservice industry include increasing numbers of working wives, more affluent two income households, smaller families and a somewhat older population. Census projections indicate that these demographic groups, who tend to spend more for eating away from home, will continue to become more numerous.

In the following sections of this report, we will examine in some detail:

- the economic and consumer climate for foodservice in 1980-81
- the outlook for eating place sales, menu prices, and real growth
- how restaurants are responding to the challenges of 1980-81
- the outlook for the commercial and institutional sectors of the industry

The "background" section of this report on page 19 contains technical details which may interest some readers. It should be noted here, however, that our forecast does not pretend to the decimal point accuracy shown. These figures, rather than ranges, are given for the sake of convenience.

Economic and Consumer Climate for Foodservice Improves in 1981

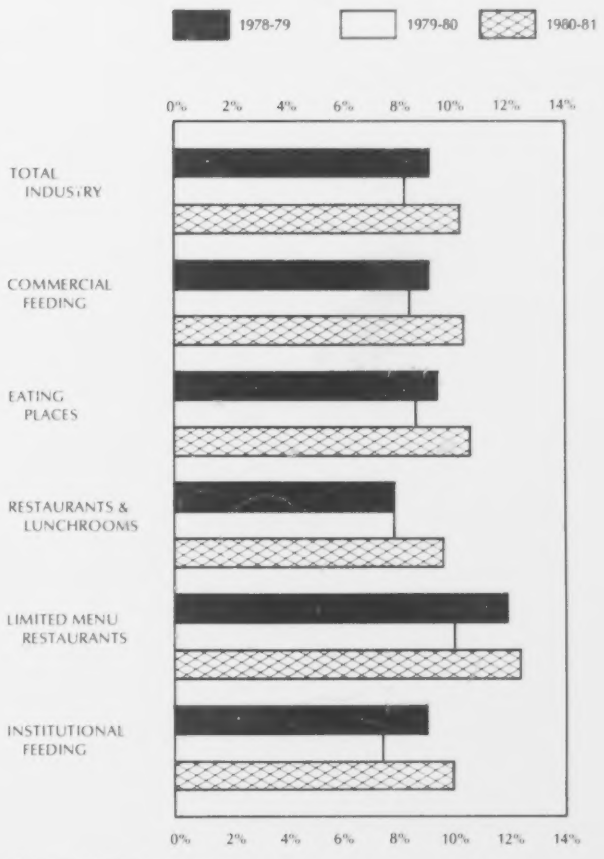
Inflationary pressures and the adverse impact of the recession as well as a credit squeeze in the spring of 1980 exerted a negative impact on foodservice sales.

Recently the industry has been characterized by:

- "trading up" among some customers who are exchanging two or three visits to less expensive restaurants for one "special" occasion.
- "trading down" to less expensive restaurants.
- "trading out" as some families leave the market entirely.

Overall the industry has been subjected to declining

Percent Change in Sales (Current Dollars)



NOTE: 1980 and 1981 are projections.

customer counts for the past two years. More recently traffic has been up at fast food and family restaurants while it has been off at other types of eating places. On a meal by meal basis, only breakfast has experienced increasing customer counts while snacking has been off most dramatically.

During the past year, housing, transportation, and energy costs have continued to spiral pushing the inflation rate to double digit levels. Just as the baby boom generation has reached the age when home ownership becomes an important goal, mortgage rates and housing prices have skyrocketed. In addition, prices for heating fuel, electricity, and gasoline have climbed substantially.

In the past two years consumers, who are striving to keep up their standard of living in the face of static or declining real incomes, dipped into their savings or purchased many goods and services on credit. Early in 1980 consumers were faced with an unusually high debt burden and low savings. Spending declined in real

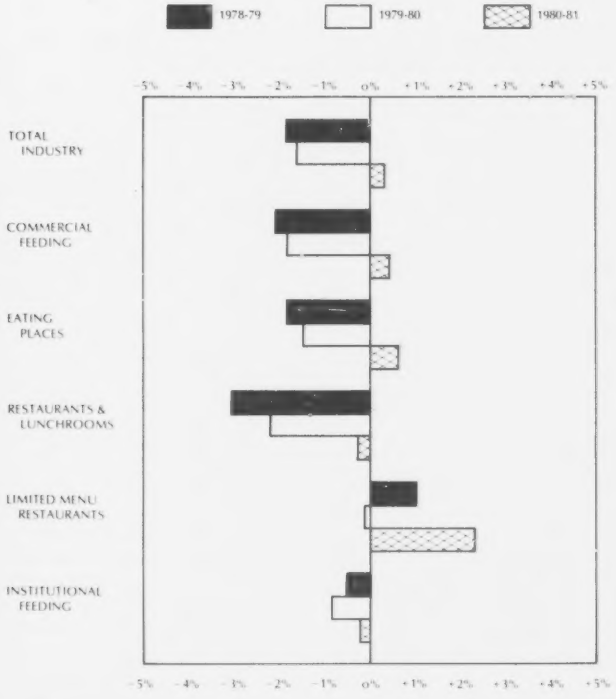
The Food Service Industry-Food and Drink Sales Projected to 1981

	1978 Estimated F&D Sales (000)	1980 Projected F&D Sales (000)	1981 Projected F&D Sales (000)	1980-1981 Percent Change	1980-1981 Percent Real Growth Change	1978-1981 Compound Annual Growth Rate
GROUP I—COMMERCIAL FEEDING[1]						
EATING PLACES						
Restaurants, Lunchrooms	$29,810,089	$ 34,705,883	$ 38,058,471	9.7	−0.3	8.5
Social Caterers	720,999	772,202	802,318	3.9	−6.1	3.6
Commercial Cafeterias	1,878,804	2,112,210	2,262,177	7.1	−2.9	6.4
Limited Menu Restaurants (Refreshment Places)	21,757,488	26,796,566	30,081,825	12.3	+2.3	11.4
Ice Cream, Frozen Custard Stands	1,071,865	1,285,992	1,426,165	10.9	+0.9	10.0
TOTAL EATING PLACES	$55,239,245	$ 65,672,853	$ 72,630,956	10.6	+0.6	9.6
Bars and Taverns	$ 6,678,224	$ 7,553,698	$ 8,006,920	6.0	−2.4	6.2
EATING & DRINKING PLACES	$61,917,469[2]	$ 73,226,551	$ 80,637,876	10.1	+0.3	9.2
FOOD CONTRACTORS						
Manufacturing & Indus. Plants	$ 1,794,624	$ 1,993,307	$ 2,202,604	10.5	+0.5	7.1
Commercial & Office Bldgs.	476,770	574,143	641,318	11.7	+1.7	10.4
Hospitals and Nursing Homes	678,151	804,209	890,259	10.7	+0.6	9.5
Colleges & Universities	895,969	1,064,468	1,176,237	10.5	+0.3	9.5
Primary & Secondary Schools	526,749	612,688	670,893	9.5	−0.5	8.4
In-transit Feeding (Airlines)	395,872	507,592	583,731	15.0	+4.0	13.8
Recreation & Sports Centers	780,883	990,856	1,124,622	13.5	+2.5	12.9
TOTAL FOOD CONTRACTORS	$ 5,549,018	$ 6,547,263	$ 7,289,664	11.3	+1.1	9.5
Hotel Restaurants	$ 3,016,585	$ 3,602,552	$ 4,020,448	11.6	+1.6	10.0
Motor Hotel Restaurants	742,397	883,661	978,213	10.7	+0.7	9.6
Motel Restuarants	1,653,060	1,955,001	2,156,366	10.3	+0.3	9.3
TOTAL LODGING PLACES	$ 5,412,042	$ 6,441,214	$ 7,155,027	11.1	+1.1	9.8
Retail Host Restaurants[3]	$ 3,133,311	$ 3,671,351	$ 4,009,115	9.2	−0.8	8.6
Recreation & Sports[4]	$ 1,127,367	$ 1,392,661	$ 1,583,456	13.7	+2.7	12.0
Mobile Caterers	$ 385,755	$ 443,695	$ 490,283	10.5	+0.5	8.3
Vending & Nonstore Retailers[5]	$ 1,841,503	$ 2,074,638	$ 2,290,400	10.4	+0.4	7.5
TOTAL GROUP I	**$79,366,465**	**$ 93,797,373**	**$103,455,821**	**10.3**	**+0.4**	**9.2**
GROUP II—INSTITUTIONAL FEEDING-BUSINESS, EDUCATIONAL, GOVERNMENT OR INSTITUTIONAL ORGANIZATIONS WHICH OPERATE THEIR OWN FOODSERVICE						
Employee Feeding[6]	$ 1,373,469	$ 1,515,980	$ 1,670,610	10.2	+0.2	6.8
Public & Parochial Elementary (Secondary Schools)	1,938,524	2,246,439	2,444,126	8.8	−1.2	8.0
Colleges & Universities	1,852,057	2,184,262	2,402,688	10.0	−0.2	9.1
Transportation	480,917	601,086	687,642	14.4	+3.4	12.7
Hospitals[7]	5,436,620	6,411,732	7,040,082	9.8	−0.3	9.0
Nursing Homes, Homes for Aged, Blind, Orphans, Mentally & Physically Handicapped[8]	1,990,080	2,383,893	2,636,586	10.6	+0.5	9.8
Clubs, Sporting & Recreational Camps	960,125	1,083,891	1,176,022	8.5	−2.5	7.0
Community Centers	286,364	354,073	400,102	13.0	+2.0	11.8
TOTAL GROUP II	**$14,318,156**	**$ 16,781,356**	**$ 18,457,858**	**10.0**	**−0.2**	**8.8**
TOTAL GROUP I AND II	**$93,684,621**	**$110,578,729**	**$121,913,679**	**10.2**	**+0.3**	**9.2**
GROUP III—MILITARY FEEDING[9]						
Officers & NCO Clubs ("Open Mess")	$ 403,414	$ 456,635	$ 491,796	7.7	−2.3	6.8
Food Service—Military Exchanges	221,000	255,356	278,083	8.9	−1.1	8.0
TOTAL GROUP III	**$ 624,414**	**$ 711,991**	**$ 769,879**	**8.1**	**−1.9**	**7.2**
GRAND TOTAL	**$94,309,035**	**$111,290,720**	**$122,683,558**	**10.2**	**+0.3**	**9.2**

FOOTNOTES

[1]Data are given only for establishments with payroll.
[2]Food and drink sales for nonpayroll establishments totaled $1,960,863,000 in 1978.
[3]Includes drug and proprietary store restaurants, general merchandise store restaurants, variety store restaurants, food store restaurants, and grocery store restaurants, gasoline service station restaurants and miscellaneous retailers.
[4]Includes drive-in movies, bowling lanes, recreation and sport centers.
[5]Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.
[6]Includes industrial and commercial organizations, seagoing and inland waterway vessels.
[7]Includes voluntary and proprietary hospitals, long term general, TB, nervous and mental hospitals and sales or commercial equivalent to employees in state and local short term hospitals and Federal hospitals.
[8]Sales (commercial equivalent calculated for nursing homes and homes for aged only. All others in this grouping make no charge for food served either in cash or in kind.)
[9]Continental U.S. only.

Percent Change in Sales (Constant Dollars)



NOTE: 1980 and 1981 are projections.

terms as as consumers cut back on purchases and began to retire debt and rebuild savings.

In the third quarter of 1980, the economy improved slightly as the long, slow recovery began. As the year ends, consumer confidence has been restored to a significant degree; however, spending is expected to improve only slightly in 1981.

During 1981 the consensus forecast calls for a modest recovery from recession with real GNP gaining about 1 percent compared to a 1 percent decline in 1980.

Inflation, as measured by the Consumer Price Index, is expected to remain at or near double digit levels, gaining about 10 percent. This is a significant improvement from an inflation rate of well over 13 percent this year, however. Another measure of inflation which may be more indicative of the actual rate of increase in prices paid by consumers is the GNP deflator. The GNP deflator, which does not reflect mortgage interest rates, is projected to rise by 9.4 percent next year, similar to the gain it experienced in 1980.

NRA's forecast for industry growth is based on an increase in personal income of about 11.4 percent in 1981, as forecast by the U.S. Chamber of Commerce. This figure represents considerable improvement from the 1980 gain in income of about 10 percent. In addition, real disposable income is expected to advance in the neighborhood of 1.5 percent after declining slightly in 1980.

As consumer incomes rise, the savings rate will edge upward. After depleting their holdings for several years, consumers will make efforts to rebuild their savings. Since real incomes will not be rising at the four-plus percentage rates of earlier years, consumers will be unable to boost their savings and spending substantially, however.

Given the liklihood of a further increase in unemployment during 1981 coupled with very slow real income gains and more price increases, especially for food, consumer spending is expected to post a lacklustre gain of about 1.5 percent in real terms.

The foregoing general economic projections are predicated on no significant disruption in oil supplies or radical alteration in OPEC pricing and normal weather conditions.

Eating Places in 1981: Sales Up 10.6 Percent, Real Growth 0.6 Percent

The outlook for food and drink sales in eating places, which account for nearly 60 percent of the foodservice industry, will depend on prospects for the economy as a whole. It is heavily influenced by consumers' confidence in their financial situation, the rate of increase in personal consumption expenditures, overall inflation and the rate of gain in personal and disposable income. Based on the economic outlook summarized in the preceding section, we expect 1981 eating place sales to rise by approximately 10.6 percent, outpacing growth in 1979 and in 1980.

Next year eating place sales are expected to show moderate gains in January and February followed by a strong increase in March compared with an exceptionally weak March of 1980. The second and third quarters should post relatively strong growth with a slight fall off in the rate of sales gain expected during the closing three months of 1981. Although some of this quarterly movement is attributed to the changing economic picture, it also reflects the strength or weakness of sales for the comparable period in 1980. For the sake of comparison, eating places sales were up 9.4 percent in the first quarter of 1980, 7.7 percent in the second quarter, an estimated 8.1 percent in the third quarter and an estimated 9.1 percent in the fourth quarter. All four quarters showed a real decline in sales when adjusted for inflation.

One of the premises of our 1981 forecast is that the gain in eating place sales will not exceed personal income growth. Although sales gains did generally out-

(Continued on page 17)

NATIONAL RESTAURANT ASSOCIATION

REGIONAL FORECAST

A Supplement to
Foodservice Trends
December, 1980

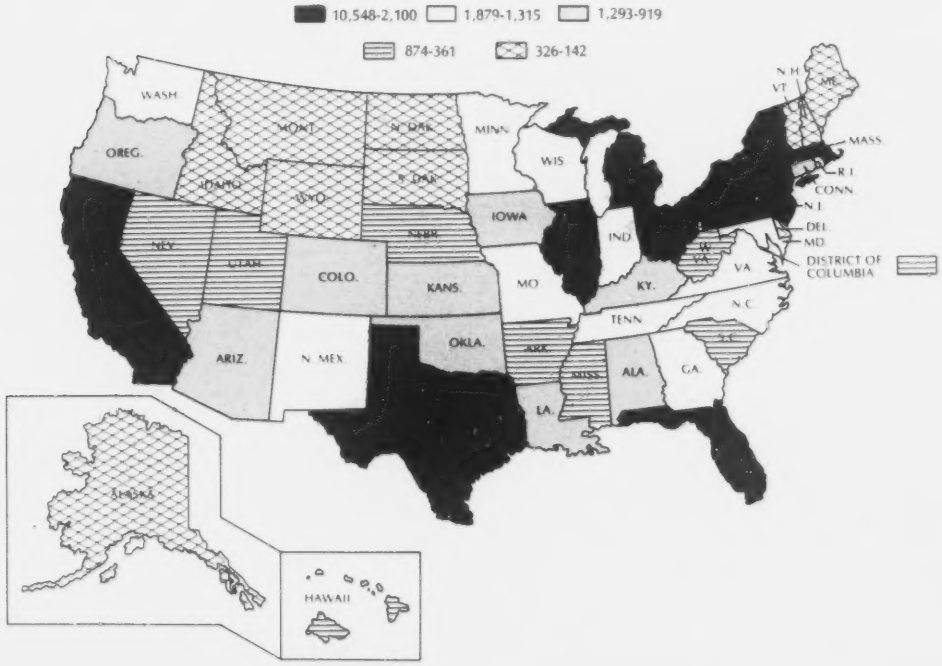
NRA PRESENTS FIRST RESTAURANT SALES FORECAST FOR STATES AND REGIONS

For the first time the National Restaurant Association has put together a forecast for eating place sales in each of the fifty states plus the District of Columbia. We believe that this state level information will make an important contribution to our overall understanding of the foodservice industry.

Historical data from the Census of Retail Trade show that sales growth for restaurants may vary substantially by section of the country. Since the economic climate in the nation differs from state-to-state, with varying rates of income, population and employment growth in some states and declines in others, a state-by-state sales forecast is especially relevant. The information given here will be helpful to operators who wish to compare their sales performance with an average for their state or region and for planning for the coming year.

The economic and sales data for the states have been arranged by the nine census regions, and readers will find data on eating place sales, personal income, manufacturing employment and non-manufacturing employment in 1980 and 1981 for each state. Much of this information is compiled from government and private sources such as the Bureau of Economic Analysis, the U.S. Chamber of Commerce, the Conference Board

Eating Place Sales in 1981 (Millions of Dollars)



NOTE: States are ranked in groups of ten according to 1981 eating place sales.

and Chase Econometrics. The two maps located on this page and the previous one will give readers a summary of the ranking of all 50 states by 1981 dollar sales and by percent change between 1980 and 1981.

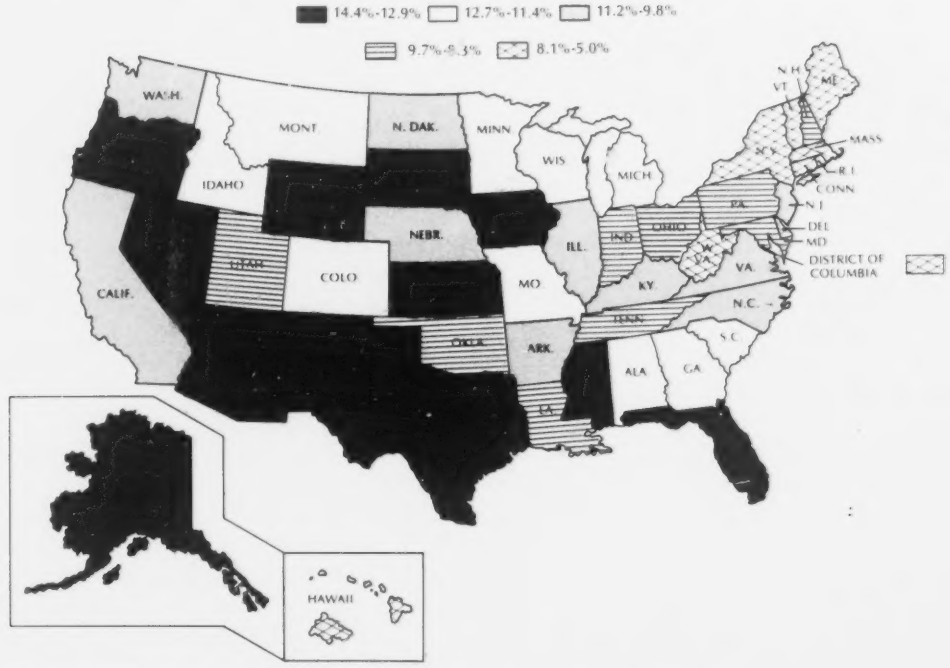
The estimates for eating place sales used here were prepared in consultation with the research firm, Malcolm M. Knapp, Inc. State-by-state historical eating place sales trends between 1972 and 1977 form the basis for our projections. These trends have been modified based on current and projected population and income data. For example, sales will continue to grow fastest in the Southern and Western regions and make slightly larger gains than experienced in the recent periods in such states as Florida, Texas, Washington and Arizona because of current and projected employment and income trends in these states. Adjustments were made to the calculated state totals to arrive at a final predetermined U.S. total. Readers desiring more information on how any specific state projections were made or desiring more state and regional economic data should contact Bette B. Hoyt in NRA's Washington Office.

A few words of caution are needed when using these eating place sales figures.

- Because sales figures for each state involve an allocation process, they are subject to greater error than our national sales projections.
- The actual sales figures are a better indication of the size of the restaurant industry in respective states because they represent an overall allocation of total sales in the U.S. Percent changes are subject to more variation but have been shown here as a convenience to our readers.
- The sales information shown here for states and regions include only operations with payroll and include some contract feeding. They represent the Census definition of eating places (SIC 5812) and will not equal the total for eating places shown in the table on page 3.
- Regional projections were not done separately, and as a result, regional totals are sums of the states.

In the future, we will gather sales tax data for each state and collect more economic data for the states and regions from such sources as the U.S. Chamber of Commerce and the Conference Board. We aim to improve the overall accuracy of our figures and increase the amount and quality of regional and state information we are able to provide to our members.

Percent Change In Eating Place Sales, 1980-1981



NOTE: States are ranked in groups according to percentage increase in eating place sales between 1980 and 1981.

OUTLOOK FOR THE NEW ENGLAND REGION

Eating Place Sales

Eating place sales in New England are forecast to equal $4.1 billion in 1981, an increase of 7.1 percent from 1980. Two states, Massachusetts and Connecticut, dominate the New England economy and account for three-fourths of the region's eating place sales. Sales for eating places in Massachusetts will be growing faster than the region as a whole because of the state's improved economy. The influx of high technology industries and decreased dependence on many cyclical industries have been beneficial to the state. The largest percentage gain in eating place sales in this region is expected in New Hampshire, where 1981 sales will total $317 million for an increase of 8.3 percent over 1980. On the other hand, Rhode Island is forecast to have the slowest rise in restaurant sales next year up only 5.0 percent.

New England Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Connecticut	$ 909,948	$ 967,780	6.4%
Maine	298,930	320,962	7.4%
Massachusetts	1,954,293	2,100,083	7.5%
New Hampshire	292,685	316,936	8.3%
Rhode Island	238,359	250,282	5.0%
Vermont	132,070	141,765	7.3%
TOTAL REGION	**$3,826,285**	**$4,097,808**	**7.1%**

The Economy

The New England Region has fared considerably better in this recent recession year than in 1974-1975. The area is expected to experience only a slight decline in manufacturing employment this year of 1.6 percent compared to a 4.2 percent drop nationwide. The changing industrial mix of the region is largely responsible for New England's improved performance during this economic downturn. More high technology and defense related industries and decreased dependence on such cyclical industries as textiles, leather goods and apparel have made the region less vulnerable in the current recession.

The relative strength of the areospace industry and increased government outlays for defense will buoy the New England Region's economy in 1981. In addition, continued growth in other high technology industries will also benefit the area. As a result, increases in manufacturing employment should be evident around mid 1981 and will be followed by strong gains in personal income.

Unfortunately, however, the region's reliance on imported oil will continue to have a negative impact on disposable income. The proportion of energy expenditures to disposable income in New England continues to be significantly higher than that for the nation as a whole. Therefore, residents in the New England Region will have fewer dollars to spend on other goods and services in 1981 and cause the area's recovery from the recession to lag behind the nation's recovery.

The New England Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
Connecticut	−1.0	−2.0	2.0	1.0	10.0	11.2
Maine	−2.0	−1.0	4.0	1.0	11.0	12.2
Massachusetts	−2.0	−3.0	3.0	0.0	10.0	11.2
New Hampshire	−2.0	−2.0	5.0	1.0	13.0	15.0
Rhode Island	−4.0	−3.0	1.0	0.0	9.0	11.2
Vermont	−1.0	−3.0	1.0	0.0	8.0	8.7
TOTAL REGION	−1.6	−2.6	3.0	1.0	10.0	11.2
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE MIDDLE ATLANTIC REGION

Eating Place Sales

Sales for eating places in the Middle Atlantic Region are forecast to equal $11.5 billion in 1981, an increase of 8.6 percent from 1980. Sales in the area will be growing less rapidly than the nation as a whole primarily because of the more mature nature of the region's economy and because of substantial declines in manufacturing employment.

New York, which accounts for half of the sales in the region, is predicted to have restaurant sales of $5.8 billion in 1981, an increase of only 8.1 percent. This is considerably below the gains expected for the region as a whole and nationwide. Declines in both manufacturing and non-manufacturing employment next year will probably have a negative impact on sales in New York. Eating place sales for New Jersey are expected to rise more rapidly than the region because of substantial growth in non-manufacturing employment in both 1980 and 1981. Pennsylvania eating place sales will rise at the same rate as the region and should equal nearly $3.3 billion next year.

Middle Atlantic Region

State	Eating Place Sales (000) 1980	1981	Percent Change
New Jersey	$ 2,247,181	$ 2,467,589	9.8%
New York	5,326,728	5,756,432	8.1%
Pennsylvania	3,034,977	3,295,208	8.6%
TOTAL REGION	**$10,608,886**	**$11,519,229**	**8.6%**

The Economy

The Middle Atlantic states have been severely affected by the 1980 recession, with declines in manufacturing employment considerably steeper than those experienced nationwide. Although this region has the highest population density and highest levels of per capita income in the country, it has been one of the slowest growing regions for several years. The area is plagued by higher than average wage and tax rates which have made it unattractive in terms of new investment and have rendered its capital stock largely obsolete. However, the area's weak performance during the recent recession has been due largely to the lackluster performance of New York state, whose dominance tends to offset any gains made by New Jersey and Pennsylvania.

The area is heavily dependent on cyclically sensitive industries such as durable goods manufacturing and steel, and as a result its economic outlook is not particularly good. Manufacturing employment is expected to decrease by 5.4 percent in 1981 compared to a 3.4 percent nationwide drop. As the nation goes through its initial recovery period in early 1981, growth in manufacturing employment in the Middle Atlantic Region is predicted to be more sluggish than the national average. Income gains in the region next year will be sluggish and spending by consumers will be dampened, further slowing the recovery for these three states.

The Middle Atlantic Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
New Jersey	−3.0	−4.0	2.0	1.0	9.0	8.7
New York	−5.0	−5.0	0.0	−1.0	9.0	10.0
Pennsylvania	−5.0	−6.0	1.0	1.0	10.0	10.0
TOTAL REGION	−4.6	−5.4	1.0	0.0	9.0	10.0
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE EAST NORTH CENTRAL REGION

Eating Place Sales

Eating place sales for the five states which comprise the East North Central Region are predicted to reach $15.7 billion in 1981, an increase of 10.4 percent from 1980. Sales in the area are expected to grow at a slightly slower pace than the nation as a whole (10.4 percent versus 10.6 percent) because the region will have more difficulty recovering from the 1980 recession.

Three states in the region (Illinois, Michigan and Ohio) rank among the top ten states in eating place sales. Illinois' eating place sales will equal $4.6 billion in 1981, up 9.8 percent from 1980. Michigan's sales will be up 12.4 percent next year to $3.7 billion. This rapid growth is due to a relative improvement in the state's economy in 1981 compared to 1980 when unemployment was in excess of 15 percent of the labor force and personal income rose only 4.0 percent. A substantial increase in non-manufacturing employment and personal income in 1981 for Wisconsin will help to boost eating place sales 11.6 percent to $1.7 billion.

East North Central Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Illinois	$ 4,170,897	$ 4,578,590	9.8%
Indiana	1,685,408	1,834,447	8.8%
Michigan	3,274,518	3,678,958	12.4%
Ohio	3,518,269	3,854,886	9.5%
Wisconsin	1,544,095	1,722,874	11.6%
TOTAL REGION	**$14,194,187**	**$15,669,755**	**10.4%**

The Economy

The East North Central Region with its high dependence on automobile, steel and durable goods manufacturing has had to bear the brunt of the 1980 recession. In 1980 manufacturing employment is predicted to decline by 9.1 percent, over twice the rate of decline for the nation as a whole. In addition, higher than average rates of unemployment have slowed income growth in the region this year.

Non-manufacturing employment in the East North Central Region has become stronger in recent years. but growth is expected to fall below the nationwide performance in 1980 and 1981 in several of the key states. Recently this area experienced some permanent shut-downs in basic industries such as autos and steel, which have resulted in record lay offs and decreased regional investment. This, in turn, has led to substantial out-migration, particularly of younger workers.

Aging and obsolete capital stock, high operating costs and market shifts away from the Snowbelt to the Sunbelt have placed this region at a competitive disadvantage with the rest of the nation. As can be expected, Michigan, the home of the U.S. auto industry, will suffer the greatest employment loss. The well-publicized problems of the steel industry will account for a large part of the manufacturing job losses in Ohio in both 1980 and 1981. Declining employment in durable goods manufacturing will have an adverse affect on total employment in Illinois, which is expected to drop 7.0 percent in 1981, considerably above the region and nationwide average. Wisconsin, with its 4 percent decline in manufacturing employment and 2.0 percent gain in non-manufacturing employment next year is the only bright spot in an otherwise gloomy employment picture in the East North Central Region. Overall, recovery from the 1980 recession will lag behind that for the nation as a whole, but the health of the economy for the area will be considerably better in 1981 than in 1980.

The East North Central Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
Illinois	- 7.0	-7.0	1.0	1.0	10.0	11.2
Indiana	- 8.0	-4.0	2.0	0.0	7.0	11.2
Michigan	-15.0	-4.0	1.0	0.0	4.0	12.5
Ohio	- 8.0	-6.0	2.0	0.0	8.0	11.2
Wisconsin	- 4.0	-4.0	4.0	2.0	10.0	12.5
TOTAL REGION	- 9.1	-5.7	1.0	1.0	8.0	11.2
TOTAL U.S.	- 4.2	-3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE WEST NORTH CENTRAL REGION

Eating Place Sales

In the West North Central Region eating place sales are expected to reach $6.3 billion in 1981, up 11.9 percent over 1980's $5.6 billion. The region will outperform the nation as a whole primarily because of strong gains in personal income and non-manufacturing employment.

Two states, Minnesota and Missouri, account for slightly more than half of the region's eating place sales. Sales in Missouri are expected to rise nearly $200 million, from $1.7 billion in 1980 to $1.9 billion in 1981. In Minnesota, sales are predicted to rise by 11.9 percent and reach $1.5 billion. The fastest sales gains will occur in South Dakota and Kansas where income and population increases in recent years have added impetus to restaurant sales. On the other hand, sales growth in Nebraska will be the slowest of the seven states in the West North Central Region. A decline in manufacturing employment in both 1980 and 1981 and little growth in non-manufacturing employment will adversely affect Nebraska's eating place sales performance next year.

West North Central Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Iowa	$ 865,774	$ 961,545	11.1%
Kansas	811,847	919,020	13.2%
Minnesota	1,343,069	1,502,997	11.9%
Missouri	1,680,627	1,878,910	11.8%
Nebraska	488,111	539,920	10.6%
North Dakota	196,118	218,144	11.2%
South Dakota	218,492	248,487	13.7%
TOTAL REGION	**$5,604,038**	**$6,269,023**	**11.9%**

The Economy

The West North Central Region is expected to fare somewhat better than the nation as a whole in the 1980 recession. As shown in the accompanying chart, less drastic declines in manufacturing employment and more rapid gains in personal income than the nation as a whole indicate that this region will be better off economically in 1980 and 1981. Due to the increased importance of U.S. agricultural exports and grain shortages in world markets, the region has been able to grow faster than the nation during recent years. Increased farm revenues have stimulated the growth of other related industries, particularly food processing and agricultural machinery. However, farm income has dropped slightly in 1980 because of the Soviet grain embargo which reduced demand and because of lower crop yields.

Although agriculture remains dominant in the region, manufacturing has recently grown in importance, and a mining boom in the Dakotas has contributed to the strength of related construction and service industries. As a result, per capita income in the region has been increasing.

The region has a varied economy. Only in Missouri is manufacturing employment of any significance. The other states are largely dependent on agriculture, and farm income in 1981 is not expected to increase significantly. As a result, the region's ability to recover from the recession will be dampened. However, mining will continue to become more important to some of the states in the region as a source of employment and income, and this should be beneficial to the region's economic picture in 1981.

The West North Central Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
Iowa	−4.0	−4.0	2.0	1.0	10.0	15.0
Kansas	−2.0	−3.0	2.0	1.0	7.0	10.0
Minnesota	0.0	−2.0	3.0	0.0	10.0	12.5
Missouri	−6.0	−3.0	1.0	1.0	9.0	12.5
Nebraska	−2.0	−3.0	1.0	0.0	10.0	12.5
North Dakota	−2.0	−3.0	3.0	1.0	21.0	15.0
South Dakota	−1.0	−2.0	0.0	−1.0	11.0	11.2
TOTAL REGION	−3.1	−3.0	2.0	1.0	10.0	12.5
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE SOUTH ATLANTIC REGION

Eating Place Sales

Eating place sales in the South Atlantic Region will equal $13.2 billion in 1981, up 11.3 percent from 1980. Sales growth for the area will outpace that for the nation primarily because of the strong sales gains in Florida, Georgia and South Carolina.

Florida, with 1981 projected sales of $4.6 billion, is the prime sales gainer in the region. This state is expected to have substantial gains in employment and income in both 1980 and 1981 which will be beneficial to eating place sales growth. Besides Florida, four other states in the region have eating place sales in excess of $1.0 billion, including Georgia ($1.8 billion), Virginia ($1.8 billion), North Carolina ($1.6 billion) and Maryland ($1.5 billion). Sales growth in Delaware will be considerably below that of the region and the country due to declines in employment and income. The District of Columbia, which is predicted to experience a decrease in both manufacturing and non-manufacturing employment, will also experience a very modest increase in eating place sales between 1980 and 1981.

South Atlantic Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Delaware	$ 172,257	$ 183,564	6.6%
District of Columbia	394,414	416,381	5.6%
Florida	4,047,356	4,600,581	13.7%
Georgia	1,609,868	1,792,915	11.4%
Maryland	1,403,278	1,527,371	8.8%
North Carolina	1,477,298	1,628,956	10.3%
South Carolina	780,520	874,472	12.0%
Virginia	1,637,138	1,813,838	10.8%
West Virginia	382,989	413,122	7.9%
TOTAL REGION	**$11,905,118**	**$13,251,200**	**11.3%**

The Economy

The South Atlantic Region has been one of the most rapidly growing areas in the country, with population, employment and income growth rates exceeding the national average for the past several years. The region has fared slightly better than the nation as a whole in the 1980 recession, but the region's overall economic performance is difficult to characterize because of the lack of uniformity among the states. The northern half of the region exhibits many of the same attributes as the Middle Atlantic states (slow income growth, declines in manufacturing employment), while the southern half continues to experience rapid economic growth.

Several factors will continue to attract business to the South Atlantic Region. These include: lower production costs, improved access to ports and transportation facilities and a growing population which translates into growing markets. Growth in manufacturing employment in this region has lagged behind other sectors, primarily because the area has a high concentration in cyclically sensitive industries such as textiles, steel, apparel and furniture. However, manufacturing employment in the South Atlantic Region is forecast to decline at half the rate as the nation as a whole in 1981 as shown in the following table.

The steep recession in the housing sector together with large declines in consumer spending for durables had an adverse effect on the lumber and furniture industries which are located primarily in North Carolina and Virginia. However, we are beginning to see some recovery in the housing sector which should help to strengthen the housing related industries in the area. Textile manufacturing is important in Georgia and the Carolinas, and manufacturer's efforts to keep invento-

The South Atlantic Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
Delaware	−3.0	−3.0	1.0	0.0	8.0	10.0
District of Columbia	−1.0	−2.0	0.0	−2.0	12.0	13.7
Florida	0.0	0.0	4.0	1.0	12.0	13.7
Georgia	−3.0	−2.0	3.0	1.0	9.0	12.5
Maryland	−6.0	−6.0	1.0	0.0	9.0	11.2
North Carolina	−2.0	−1.0	3.0	2.0	9.0	12.5
South Carolina	−2.0	−1.0	3.0	2.0	11.0	13.7
Virginia	−1.0	−2.0	2.0	2.0	10.0	12.5
West Virginia	−7.0	−4.0	0.0	0.0	10.0	13.7
TOTAL REGION	−2.4	−1.7	2.0	1.0	10.0	12.5
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figure by NRA to reflect most current projections.

ries low should help the industry to recover from this recession more rapidly than after the 1974-75 downtown.

Overall, the region's employment and industrial picture is better than that for the nation. Consequently, consumer income gains in 1981 should help the region recover from this economic downturn more rapidly than the entire country.

OUTLOOK FOR THE EAST SOUTH CENTRAL REGION

Eating Place Sales

Eating place sales in the East South Central Region will equal nearly $4.0 billion in 1981, up from $3.6 billion in 1980. Sales growth for this region will be slightly faster than that for the country as a whole, 10.8 percent versus 10.6 percent. Gains in non-manufacturing employment and personal income in Alabama and Tennessee will help boost restaurant sales in this area.

In Tennessee, eating place sales are predicted to reach $1.3 billion, up about 9.4 percent from 1980. Declines in manufacturing employment in both 1980 and 1981 will work to moderate gains in sales. Sales in Mississippi will approach $600 million in 1981, an increase of 13.4 percent from 1980's $524 million. Although the state is expected to lose manufacturing employment, it will benefit from substantial gains in non-manufacturing employment. Eating place sales in both Alabama and Kentucky will cross the $1.0 billion mark in 1981.

East South Central Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Alabama	$ 911,161	$1,016,893	11.6%
Kentucky	946,411	1,044,506	10.4%
Mississippi	524,254	594,438	13.4%
Tennessee	1,202,486	1,315,447	9.4%
TOTAL REGION	**$3,584,312**	**$3,971,284**	**10.8%**

The Economy

The four East South Central states are among the Sunbelt's slowest growing. Primarily because of the region's industrial mix, it has not performed well during the current economic downturn. Manufacturing industries are concentrated in consumer goods, construction, textiles and apparel. As a result, the decline in manufacturing employment in the East South Central Region is expected to mirror the national average in both 1980 and 1981.

The region's dependence on the non-durable goods industries, particularly apparel, has already caused some employment declines. However, manufacturers have managed their inventories better than in the previous recession which should mean a faster recovery for the industry, primarily in Tennessee.

The regional electrical machinery sector is heavily centered around the manufacture of household appliances and was severely hurt during the recent housing slump. With the recovery in housing now underway, together with the slow rise in consumer confidence and the removal of credit controls, the East South Central Region should recover well from the current recession.

The East South Central Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
Alabama	−4.0	−3.0	2.0	1.0	8.0	11.2
Kentucky	−6.0	−4.0	1.0	0.0	9.0	12.5
Mississippi	−6.0	−3.0	2.0	2.0	7.0	10.0
Tennessee	−3.0	−3.0	2.0	1.0	10.0	12.5
TOTAL REGION	−4.3	−3.2	2.0	1.0	9.0	11.2
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; Adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE WEST SOUTH CENTRAL REGION

Eating Place Sales

Eating place sales will rise nearly $1.0 billion between 1980 and 1981 in the West South Central Region. In 1981 sales are expected to total $8.6 billion, up 12.9 percent from the previous year. The relatively strong economy in the area, particularly in Texas, will cause sales to rise considerably faster in this region than in the nation as a whole.

Texas dominates the eating place sales picture in the West South Central Region with 1981 sales expected to reach $6.0 billion. The continued economic, population and income gains in Texas will have a beneficial affect on restaurant sales. In Louisiana eating place sales are forecast to equal $1.2 billion in 1981, up from $1.1 billion in 1980. Arkansas, with a sales gain of 11.1 percent, should have 1981 sales of $546 million. In Oklahoma, sales for eating places will rise 9.7 percent next year and be slightly less than $1.0 billion. Increases in non-manufacturing employment and substantial income gains in 1981 will result in continued economic growth in all three states.

West South Central Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Arkansas	$ 491,044	$ 545,607	11.1%
Louisiana	1,061,045	1,156,351	9.0%
Oklahoma	850,752	933,518	9.7%
Texas	5,217,016	5,966,975	14.4%
TOTAL REGION	**$7,619,857**	**$8,602,451**	**12.9%**

The Economy

The West South Central economy has benefited in recent years from an expansion of business investment in energy development as well as above average population growth. The surge in regional economic activity has been broad based, with considerable growth in such industries as transportation equipment, electrical machinery, metals, food products, and mining as well as oil and gas. Because of this diversity the region has weathered the current economic downturn very well. Non-manufacturing employment is expected to increase 3.0 percent this year and manufacturing employment will decline less than one percent.

The depressed state of the housing and automobile industries has contributed to the decline in employment in the primary and fabricated metals industries, particularly in Arkansas which is a leading producer of home insulation products and an important aluminum producer. As the recovery in the housing sector continues to lead the economy out of the recession, these related sectors should also benefit.

Although both Oklahoma and Texas have large transportation sectors, they have been able to avoid the severe problems faced by the auto industry in other parts of the country. Most auto plants in Oklahoma assemble compact cars whose demand has remained strong. Texas' transportation equipment industry is concentrated on the aerospace segment which should remain strong as a result of increased defense spending. Energy-related sectors should also continue to strengthen due to continued investment in energy development.

The stronger employment picture translates into a better than average income performance in 1981 and strong economic growth for the West South Central Region.

The West South Central Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
Arkansas	−4.0	−3.0	2.0	1.0	9.0	13.7
Louisiana	−3.0	−2.0	2.0	1.0	12.0	15.0
Oklahoma	3.0	−1.0	5.0	1.0	14.0	13.7
Texas	0.0	0.0	3.0	2.0	12.0	15.0
TOTAL REGION	−0.7	−0.8	3.0	2.0	12.0	15.0
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE MOUNTAIN REGION

Eating Place Sales

In the Mountain Region 1981 eating place sales will rise to $4.3 billion from $3.8 billion in 1980. Sales growth in this area will be significantly above that for the U.S., 12.6 percent compared to 10.6 percent. The region's strong employment and income picture in both 1980 and 1981 will provide a beneficial operating environment for restaurants.

Two states, Colorado and Arizona, dominate the Mountain eating place sales picture and account for more than half of the sales. In Colorado, eating place sales are forecast to equal $1.3 billion in 1981, and in Arizona they are expected to rise to $1.1 billion. Both these states have particularly strong economies which have been virtually untouched by this year's recession. Wyoming, with projected 1981 sales of $174 million leads the region in terms of percentage sales gain. Sales growth in Idaho, Nevada and New Mexico will also be strong, but we do expect slower sales gains in Montana and Utah.

Mountain Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Arizona	$ 948,332	$1,078,505	13.7%
Colorado	1,147,472	1,293,374	12.7%
Idaho	282,452	316,139	11.9%
Montana	246,310	275,271	11.8%
Nevada	321,508	362,864	12.9%
New Mexico	393,598	444,396	12.9%
Utah	332,558	361,981	8.8%
Wyoming	152,495	174,110	14.2%
TOTAL REGION	**$3,824,725**	**$4,306,640**	**12.6%**

The Economy

The Mountain Region has enjoyed exceptionally high growth rates in population, income and employment in recent years. Energy resources are key to its continued development, and the area has extensive reserves of uranium, coal, petroleum, natural gas, tar sands, and oil shale. Moves to reduce some of the federal regulations governing the energy industry as well as rising world oil prices have contributed to an acceleration of exploration activity and the growth of extraction and processing industries, particularly in Wyoming, Utah and Colorado. However, the mining sector in Montana has not fared well because falling copper prices have reduced the profitability of copper mining.

As the rest of the nation copes with falling real incomes, increased unemployment and the other effects of the 1980 recession, the Mountain Region continues to grow, but at a slower rate than in previous years. The area has a high concentration in such dynamic industries as electronics, computers and aerospace which make it more resilient to economic slumps. Employment in the manufacturing sector is expected to rise 1.0 percent next year compared to a 3.4 percent decline nationwide. Rapid in-migration will contribute to the growth of other non-manufacturing sectors such as services, trade and government.

Personal income for the Mountain Region in 1981 will grow at a considerably faster pace than the country as a whole, 16.2 percent versus 11.4 percent. Thus, we expect consumer spending to remain strong in these states in 1981 and economic growth in the region will continue to move upward at a rapid pace.

The Mountain Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
Arizona	5.0	−1.0	2.0	3.0	14.0	18.7
Colorado	2.0	1.0	4.0	3.0	13.0	15.0
Idaho	− 4.0	4.0	1.0	2.0	10.0	16.2
Montana	−10.0	2.0	1.0	1.0	16.0	16.2
Nevada	6.0	8.0	6.0	9.0	14.0	21.2
New Mexico	1.0	0.0	4.0	4.0	12.0	15.0
Utah	5.0	2.0	2.0	2.0	12.0	15.0
Wyoming	6.0	2.0	9.0	7.0	12.0	15.0
TOTAL REGION	2.0	1.0	3.0	4.0	13.0	16.2
TOTAL U.S.	− 4.2	− 3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE PACIFIC REGION

Eating Place Sales

Eating place sales in the Pacific Region will equal $14.4 billion in 1981, an increase of 10.3 percent from 1980's total of $13.1 billion. The strong employment and income outlook for this region will produce a healthy economic environment for the restaurant industry.

Eating place sales in the area are dominated by California which accounts for nearly three quarters of the region's total. Strong gains for employment in the non-manufacturing sector and in personal income will help boost California's restaurant sales to $10.5 billion in 1981 from $9.6 billion in 1980. Both Oregon and Washington have sales in excess of $1.0 billion, and sales for those two states are expected to rise faster than the region and the country as a whole in 1981. For Washington, continued employment growth in the services and trade sectors as well as in transportation equipment and above average increases in personal income will be beneficial to eating place sales next year. Oregon is expected to experience more dramatic declines in manufacturing employment because of losses in the lumber and wood product industries. Increases in population and non-manufacturing employment, particularly in services and trade, should minimize the effects of employment losses in manufacturing, and we expect Oregon's eating place sales to rise 13.5 percent to $1.2 billion in 1981. Although Alaska is expected to experience some dramatic declines in manufacturing employment, increases in service and trade employment together with significant income gains should provide a beneficial operating environment for restaurants next year. Declines in vacation and business travel and higher air fares have hurt the Hawaiian economy in 1980. Because we expect the economic recovery in 1981 to be slow, tourism expenditures in Hawaii will probably not rise substantially next year. We are, therefore, forecasting only a 7.0 percent gain in eating place sales next year for this Pacific state.

Pacific Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Alaska	$ 286,505	$ 325,923	13.8%
California	9,597,500	10,548,392	9.9%
Hawaii	505,251	540,530	7.0%
Oregon	1,077,044	1,222,655	13.5%
Washington	1,623,340	1,803,558	11.1%
TOTAL REGION	**$13,089,640**	**$14,441,058**	**10.3%**

The Economy

Because of increased defense spending and orders for capital goods, the Pacific Region has recently enjoyed stronger than average employment and income gains. California, Washington and Oregon have had the strongest performance with growth well above the nationwide average. Washington and Oregon have experienced the sharpest increases in population, employment and income in the region. Rising demand for both commercial and military aircraft has sparked large increases in the transportation equipment industry, particularly in Washington.

The economies of Alaska and Hawaii have not performed as well as their other Pacific neighbors. The end of the oil pipeline boom in Alaska and declines in tourism and tourist related industries are primarily responsible for the situation.

Within the Pacific Region the construction sector has done very poorly lately, primarily because of high mortgage rates and tight credit conditions. Retail trade has also slackened as consumers have retrenched in the face of falling incomes and rising unemployment. The recovery of these two sectors will greatly affect the recovery of the Pacific Region as a whole and will depend on the pattern of the overall economic recovery in the U.S. Since we do not see a strong housing recovery and resurgence of consumer spending, the weak-

ness of these two sectors will continue to be reflected in the slow growth of non-manufacturing employment.

Activity in the region's manufacturing sector is concentrated in the aerospace, lumber and high technology goods industries. Continued strong worldwide demand for aircraft and electrical instruments mitigates the recession's impact on the region's manufacturing sector. However, even in these relatively strong industries, production levels have recently been scaled down. On the negative side, the lumber and wood products industries have been seriously affected by a severe decline in housing activity recently.

Overall, manufacturing employment is expected to decline by 2.2 percent in 1981, considerably less than the predicted 3.4 percent nationwide drop. Employment in the non-manufacturing sector is predicted to rise 2.0 percent. In addition, personal income gains for the Pacific Region will be above those for the country, 13.7 percent versus 11.0 percent. We therefore expect the economic recovery in 1981 for this region to be slightly faster than that for the nation as a whole.

The Pacific Economy (Percent Change)

	Manufacturing Employment		Non-Manufacturing Employment		Personal Income	
States	**1980**	**1981**	**1980**	**1981**	**1980**	**1981**
Alaska	−7.0	−13.0	4.0	3.0	14.0	15.0
California	−1.0	− 1.0	3.0	1.0	11.0	13.7
Hawaii	−2.0	4.0	3.0	1.0	11.0	12.5
Oregon	−7.0	− 6.0	1.0	1.0	9.0	13.7
Washington	−1.0	− 4.0	5.0	6.0	11.0	15.0
TOTAL REGION	−1.7	− 2.2	3.0	2.0	11.0	13.7
TOTAL U.S.	− 4.2	− 3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

NRA FOODSERVICE TRENDS

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pace income growth in the early and mid 1970's, this has not been the case in the past three years. As fixed charges against income such as housing, energy and transportation have spiraled and real incomes adjusted for inflation have remained relatively unchanged or declined, consumers have felt the pinch.

In a recent Roper Report consumers say they are cutting back on eating out as they try to trim their living expenses, confirming declining customer counts reported by CREST. (See November 1980 *Foodservice Trends*.) Although we feel there are indications that consumers would like to go out to eat more often, discretionary income has been squeezed to such an extend that they are being forced to make a choice. Rather than choosing between one restaurant and another, as was true earlier in the 1970's, making choices now may mean giving up one thing for another. The industry is competing with other forms of entertainment as well as with marketers of other goods and services for its share of the consumers' dollar.

Our forecast for real eating place growth in 1981 of 0.6 percent is a reversal of the trend apparent in the last two years. Real sales will decline in 1980 by an estimated 1.5 percent and were down 1.8 percent in 1979. This forecast is based on continued double digit inflation coupled with positive, but not particularly strong, growth in real income. The recent rise in consumer confidence has also been taken into account, since consumer psychology is frequently as significant as economics.

If inflation were to moderate substantially, it is likely that our forecast for the level of 1981 sales would remain on target but real growth would increase considerably as would traffic counts.

Among eating places, **limited menu restaurants** will again post the most significant gain with real growth on the order of 2.3 percent in 1981. Much of the growth for this "fast food" group will be due to continued construction of new units. A modest real decline of 0.3 percent is forecast for **restaurants**, the largest eating place category. It should be noted, however, that restaurants providing special qualities in the eyes of their patrons should do significantly better than the average. (See the section "Restaurants Meet the Challenges of 1980-81").

Cafeterias are expected to report improved gains in total sales next year, however, real sales are projected to be off 2.9 percent. Although many cafeterias are doing well, others are faced with economic pressures inherent in serving a large choice of items with not enough customer turnover. **Ice cream and frozen custard stands** have slowed their spectacular growth, but are still above the industry average.

Social caterers' real sales are projected to decline 6.1 percent due to increased competition, primarily from restaurants.

Menu Prices Pushed Upward

Menu prices in 1981 are expected to increase 10.0 percent, similar to the 10.1 percent gain in 1980 but more than one full percentage point below the gain in 1979. Based on the United States Department of Agriculture's forecast for a 13 percent increase in grocery prices next year, it appears that eating places will enjoy a more favorable competitive position in the eyes of the consumer since menu prices are unlikely to rise quite so rapidly.

We calculate the increase in menu prices by using a formula which attributes 40 percent of the increase to changes in food costs, 30 percent to labor costs, 4 percent to energy and 16 percent to other operating costs.

After rising by 8.2 percent in 1980, we believe strong advances predicted by USDA and others for meat and poultry prices will boost the 1981 food cost increase to 11 percent. As the Federal minimum wage moves up to $3.35 from $3.10 and social security and other benefit costs rise as well, labor costs are anticipated to advance by about 8.5 percent. In addition, we expect natural gas and electricity rate hikes to push energy costs up 15 percent while all other costs move upward at the same 9.4 percent rate forecast for the GNP deflator.

Restaurants Meet the Challenges of 1980-81

The hallmark of today's successful restaurant operation is growing professionalism exemplified by efforts to improve service and offer customers increased value for their dollars. As competition intensifies, quality operations will do better than average because they will deliver the all important price/value relationship today's sophisticated consumer is shopping for. In addition, many small operations have a good opportunity to provide the quality, personal service that discriminating customers seek.

Since the consumer is examining more carefully where he will spend his hard earned dollars, it follows that a premium will be placed on the well run operation. This is the time for the quality operator to enhance his market share and competitive position.

Operators are developing sophisticated marketing and merchandising plans to attract and serve customers and increase profitability. More restaurants are identifying and studying their patrons and those who are not their customers as well. Market segmentation and re-

positioning to meet the consumer's needs are becoming more commonplace.

In response to the pressure to deliver a positive price/value relationship, the industry has turned increasingly to promotions in order to raise customer counts. CREST data show that the proportion of occassions on promotion rose 22 percent in the Summer Quarter from the previous year following a gain of 30 percent in the spring.

In the coming year we are likely to see greater ingenuity with promotions to attract the consumers interest as well as additional value merchandising. Also greater effort will be made with decor to help provide an extra margin of perceived value despite menu price inflation.

The industry has become increasingly cognizant of the necessity to develop and implement cost controls in order to hold menu price rises in line. As prices move upward again in 1981, operators will redouble their efforts to manage food costs. Improvements in inventory and waste controls will be made. In addition, menu mix and portion size will be reexamined. As labor costs increase and the labor market situation becomes more challenging, operators will seek ways to improve employee productivity. Energy conservation practices will be put into use as well.

Travel and Recreation Foodservice to Perform Well in 1981

Excluding eating and drinking places, the remaining portion of the Commercial Feeding Group consists of food contractors, lodging places, retail hosts, recreation and sports centers, mobile caterers, vending and non-store retailers. Foodservice at these locations represent approximately one fifth of the sales for the Commercial Group while eating and drinking places account for the majority or 80 percent.

Food contractors in the **airline industry** are expected to post the strongest gain of any sector in the foodservice industry next year as sales rise 15.0 percent. This gain will be well above recent increases due to a projected 4 percent rise in airline traffic. More and more consumers will satisfy their desire to travel while travel by businessmen and foreign tourist increases as well.

Foodservice in **recreation and sports centers** is expected to record strong real sales gains of 2.5 percent for contract feeders and 2.7 percent for non-contract locations next year as consumers look for a change from their daily routine. As long as gasoline supplies remain abundant, the outlook for recreation and sports in 1981 will be positive.

Total employment is expected to post gains in 1981. Therefore food contractor sales in **office buildings** will be up 11.7 percent and 10.5 percent in **industrial plants.** Both of these gains are above their respective three year average annual rates.

Modest gains in real sales for food contractors at **hospitals and nursing homes** and **colleges and universities** reflect growth in large scale professional management.

The **lodging industry** sector is expected to post a foodservice sales gain of 11.1 percent as hotel restaurants lead the way. The hotel/motel group is undergoing major increases in downtown and quality property construction. In addition, the foreign visitor has become increasingly important beyond main gateway cities. With increased air travel and a little less austerity in corporate circles, real growth for lodging place foodservice will approximate 1.1 percent in 1981.

Food and beverage sales at **retail host restaurants** will rise 9.2 percent in 1981 compared to the slightly lower three year average of 8.6 percent. Real sales will be off 0.8 percent, however, as consumers continue to avoid shopping trips where possible. Rather than shopping, consumers will make trips to buy specific items which leaves very little room for impulse meals and snacks.

Mobile caterers will record a recovery from 1980 with a sales gain of 10.5 percent, due to increased employment and good recreation business. They will not post real gains similar to those in previous years, however, since high interest rates will slow the recovery in construction business.

Vending sales will be up 10.4 percent in 1981, well above the three year average of 7.5 percent. Real growth will be about 0.4 percent as industrial employment increases and some businesses turn from manual to vended foodservice.

Institutional Leaders: Transportation and Community Centers

Sales for institutional feeders are expected to reach $18.5 billion in 1981, a 10 percent increase from this year. This gain, which is somewhat above the compound three year average, is based primarily on projected food cost increases. In real terms, total sales for the Institutional Group will remain flat due to declining or stable population levels in these facilities.

Employee Feeding sales are expected to gain slightly in real terms due to improved prospects as the number of employees in the manufacturing sector rises. The increase in this sector is moderated somewhat due to

increased use of foodservice contractors, however. As a result sales are expected to be up 10.2 percent with a real gain in the neighborhood of 0.2 percent.

Enrollment declines in **public and parochial schools**, which are not expected to reverse until 1985 or 1986, are primarily responsible for the 1.2 percent decline in real sales expected next year. The losses in enrollment have been partially offset by increased participation in breakfast programs, however.

College and university sales will remain relatively flat in real terms. Although enrollments have not increased, the trend to live on campus and eat on campus because it is less expensive continues.

Transportation is a bright spot in the institutional market with air travel and cruise bookings up from 1980. Total food and beverage sales are expected to jump 14.4 percent with real gains on the order 3.4 percent.

Hospitals show a 9.8 percent sales gain with a 0.3 percent decline in real terms. This is due to a continuing trend toward the reduction of long term care facilities.

Institutional feeding sales at **nursing homes** will be up 10.6 percent with a 0.5 percent increase in real sales. Although the number of nursing homes has stabilized, a modest but fairly constant increase in population is occurring as we live longer.

Clubs, sporting and recreational camps are expected to post an 8.5 percent sales gain. Due to cost pressures, real sales will decline by about 2.5 percent, however.

Community centers are still the beneficiaries of government funding. Real sales are expected to gain a substantial 2 percent in 1981. As the new Congress takes a serious look at social programs in the coming year funding could be curbed.

Military Sales to Post a Real Decline

In current dollar terms Military Group sales will increase by a below average 8.1 percent. Due to inflationary pressures on armed forces personnel, sales at military clubs and PX foodservice will record a 1.9 percent real decline.

BACKGROUND

In this issue, we show initial projections for 1981, revised projections for 1980 and final sales estimates for 1978. It should be noted, however, that 1978 food and drink sales for the retail host sector will be revised as necessary in accordance with the *1977 Census of Retail Trade Merchandise Line Sales Report.* (Readers may refer to the December 1979 *Foodservice Trends* for NRA's definition of the industry's major segments.)

For the first time, NRA's annual foodservice industry forecast includes real growth projection for all industry sectors. Real growth is calculated separately for each market segment. In the case of eating places, we subtract the projected percent increase in menu prices from the percent increase in sales. For drinking places it was necessary to make a special estimate of the inflation factor more heavily weighted toward alcoholic beverages. For other industry sectors, such as colleges and universities which are primarily driven by food costs, a modification of the projected increase in the Producer Price Index for food was used. Specific modifications of this index were based on historical patterns for each industry sector. The food cost component constituted the base percent increase which was adjusted to reflect population changes and other factors.

For the total foodservice industry as well as the totals for the Commercial and Institutional Groups, real sales for 1981 were first developed for each sector by multiplying current dollar 1980 sales by their respective real growth factors. These real sales figures were then added and compared with the totals for 1980 to obtain real growth.

A word of caution is necessary with all forecasts. Sales projections for 1981 are based on the best data available as of November 1980. If the outlook for general economic conditions or the food situation changes during the coming year, our projections will also require adjustment. In addition, the performance of individual companies or sales in various local areas may differ significantly from the U.S. outlook.

INDUSTRY SALES TOP $111 BILLION IN 1980

Total foodservice industry sales in 1980 will reach $111.3 billion in 1980, up 8.2 percent from 1979's $102.9 billion. Sales for the Commercial Group will equal $93.8 billion in 1980, an increase of 8.3 percent over 1979, and Institutional foodservice sales will rise only 7.5 percent. Sales for the Military Group, which were $675 million in 1979, are expected to total $712 million in 1980, representing an increase of 5.5 percent.

Eating Place Sales To Equal $65.7 Billion

Eating places, which account for nearly 60 percent of total foodservice industry sales, are forecast to have 1980 sales of $65.7 billion, an advance of 8.6 percent over 1979. This increase is smaller than the 9.4 percent gain last year and considerably below the 11.0 percent gain in 1979 and 1978.

More rapid inflation, considerable declines in real disposable income (especially in this year's second quarter), higher prices for gasoline and government imposed credit controls have resulted in the downward revision of our 1980 eating place sales forecast published last December.

Menu Prices to Rise 10 Percent in 1980

Menu prices in 1980, as measured by the Bureau of Labor Statistics' Consumer Price Index for food-away-from-home, will increase about 10.1 percent over 1979, close to NRA's original 9.7 percent forecast. This is the second consecutive year in which menu prices have risen at a double digit pace; however, the 1980 projected increase is considerably below that of the prior year when restaurant meal prices advanced 11.2 percent.

CREST information for the most recent year ending August 1980 shows that the average per person check size rose 9.0 percent over the prior year, considerably lower than the 10.1 percent rise indicated by the CPI statistics. The CREST measurement takes into account the fact that the consumer may be ordering fewer or less expensive menu items and may be utilizing special deals and "cents-off" coupons to reduce the cost of the meal. The CPI figure does not reflect such things.

Real Eating Place Sales To Decline By 1.5 Percent

Based on the 8.6 percent gain in eating place sales and the 10.1 percent rise in menu prices, it appears that real eating place sales will decline by 1.5 percent this year. This is a slight improvement over the 1.8 percent real sales decrease experienced in 1979, but it does mark the second straight year of inflation-adjusted sales declines for restaurants.

Readers are reminded that this change in real sales represents an industry average for all eating place categories, including full service restaurants, fast food restaurants and cafeterias. Many restaurants throughout the country will fare much better in 1980 than these industry-wide figures indicate.

Food Service Industry Sales 1979-1980

	Food and Drink Sales (000)		Percent Change	
	1979	1980	(Current Dollars)	(Constant Dollars)
COMMERCIAL	$ 86,618,263	$ 93,797,373	8.3%	(1.8%)
EATING PLACES	$ 60,448,306	$ 65,672,853	8.6%	(1.5%)
Restaurants & Lunchrooms	32,164,093	34,705,883	7.9%	(2.2%)
Commercial Cafeterias	1,996,418	2,112,210	5.8%	(4.3%)
Limited Menu Restaurants	24,356,086	26,796,566	10.0%	(0.1%)
Social Caterers	745,369	772,202	3.6%	(6.5%)
Ice Cream, Frozen Custard Stands	1,186,340	1,285,992	8.4%	(1.7%)
BARS AND TAVERNS	$ 7,092,674	$ 7,553,698	6.5%	(2.1%)
EATING AND DRINKING PLACES	$ 67,540,980	$ 73,226,551	8.4%	(1.5%)
INSTITUTIONAL	$ 15,608,358	$ 16,781,356	7.5%	(0.7%)
MILITARY	$ 674,925	$ 711,991	5.5%	(4.6%)
TOTAL FOODSERVICE INDUSTRY	**$102,901,546**	**$111,290,720**	**8.2%**	**(1.6%)**

NRA FOODSERVICE TRENDS

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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

A Supplement to the Washington Report
January 5, 1981

1981 Outlook for Food Prices and Supplies

Wholesale food prices to rise faster this year

- **Beef prices will rise 16 percent in 1981 in spite of increased production.**
- **Pork supplies will decline dramatically and prices are expected to advance 34 percent.**
- **Chicken production will continue to expand but higher feed costs will push prices up.**
- **Egg prices will strengthen because of increased demand for lower cost high-protein foods.**
- **Dairy product prices are expected to rise about 10 percent in 1981.**
- **Processed fruit and vegetable prices will increase because of higher production and marketing costs.**

WHOLESALE FOOD PRICES TO RISE FASTER IN 1981 THAN IN 1980

The U.S. Department of Agriculture at its recent Agricultural Outlook Conference in Washington, D.C. announced that food prices at the wholesale level will be rising at a faster pace in 1981 than in 1980. Advances in farm prices for many commodities as well as higher marketing, transportation and packaging costs will all combine to push food prices up in 1981. The most dramatic increases will be in prices for red meats (especially pork), dairy products, poultry, eggs, and imported foods such as coffee and sugar.

During the first eleven months of 1980, wholesale food prices for restaurants have risen 5.1 percent compared to a gain of 7.5 percent for all food according to the Producer Price Index. As shown in the accompanying Commodity Price Index chart, prices for bakery goods, flour and cereal, sugar, beverages and dairy products have been rising rapidly in 1980.

In the remaining sections of this report we will highlight the 1981 outlook for many of the commodities which are important to the foodservice industry. This information was obtained from the U.S. Department of Agriculture and Chase Econometrics in late November and early December.

Commodity Price Index

COMMODITY	1978-1979	Nov. 79-Nov. 80	11 mos. 79-11 mos. 80	Oct. 80-Nov. 80
Bakery Products	10.0%	10.5%	11.8%	1.3%
Flour & Cereal	12.4%	9.6%	12.4%	1.7%
Beef & Veal	24.7%	(1.5%)	3.6%	(3.9%)
Other Meats	(2.8%)	17.4%	(3.8%)	(1.1%)
Pork	(6.4%)	18.3%	(5.2%)	(1.5%)
Lamb	5.9%	(3.9%)	(0.5%)	(6.3%)
Poultry & Eggs	0.7%	9.2%	0.4%	0.8%
Poultry	(2.8%)	9.3%	2.1%	(2.5%)
Eggs	11.3%	8.6%	(4.2%)	10.7%
Fish & Shellfish	22.6%	(8.8%)	2.2%	2.2%
Sugar & Sweets	6.9%	55.4%	35.0%	0.5%
Sugar	8.3%	81.8%	50.3%	0.9%
Vegetables	2.0%	15.7%	5.8%	3.5%
Fresh Vegetables	0.5%	21.9%	6.2%	6.2%
Fruits & Juices	8.7%	8.6%	4.7%	4.2%
Fresh Fruit	5.8%	18.6%	4.9%	10.3%
Beverages	0.8%	(2.1%)	9.3%	(0.5%)
Dairy Products	12.1%	9.6%	9.3%	0.9%
Fats & Oils	6.4%	2.4%	4.6%	0.8%
NRA Food Cost Index	**12.2%**	**5.4%**	**5.1%**	**(0.2%)**
All Food, Producer Price Index[1]	9.5%	12.8%	7.5%	0.4%

[1]Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA.

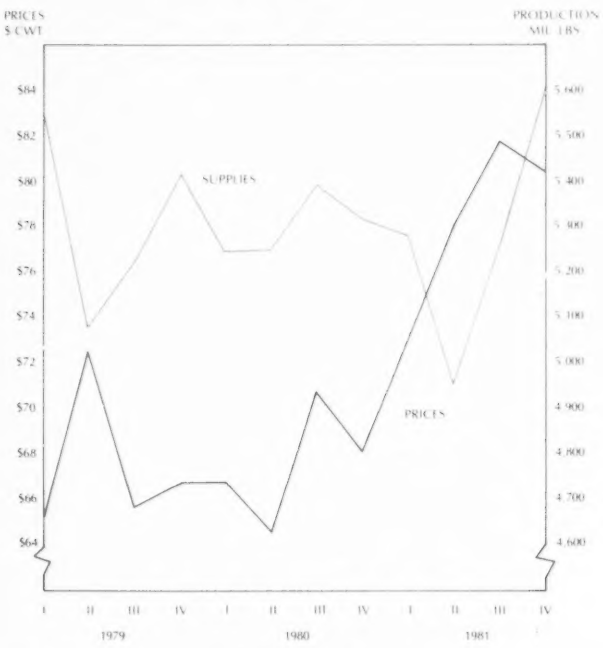
Beef: Increased Supplies But Higher Prices

Beef production is expected to increase about one percent in 1981 according to USDA estimates and total 21.6 billion pounds. Chase Econometrics is also predicting an increase in beef production, but sees a smaller 0.2 percent gain. Beef supplies will remain larger through the first quarter of 1981, due to increases in grain fed and grass fed production, according to Jim Nix, a USDA livestock analyst. In the first three months of this year, Mr. Nix expects production to rise as much as 6 percent over the same quarter in 1980, but production is forecast to fall off in the second quarter. Chase Econometrics expects beef supplies to increase in the first quarter and to decline in the second quarter; however, there should be a steady increase in supplies dur-

ing the last half of the year.

Sizable quantities of beef early in 1981 together with a slowly expanding economy will moderate beef price gains. Choice steer prices should average in the lower $70's per hundredweight in the first three months and then rise to the upper $70's by the end of the first half and average in the low $80's during the last six months. Overall, 1981 choice steer prices should average $78.32 up nearly 16 percent from 1980's average of $67.59. The primary reasons for the continued rise in beef prices are increased demand, higher feed costs for producers and a sharp drop in supplies of competing meats, especially pork.

Beef Prices and Supplies, 1979-1981



SOURCES: U.S. Department of Agriculture; Chase Econometrics.

Utility cow prices, which reflect the costs for hamburger, will be rising steadily for the first three quarters of 1981 and then fall off slightly in the final three months when supplies are expected to rise dramatically. For all of 1981, utility cow prices should average $53.27 per hundredweight, an increase of 15 percent from 1980's average of $46.30. Supplies of hamburger-grade beef will be off slightly from the prior year and supplies of lower cost competing meats will also decline putting upward pressure on prices.

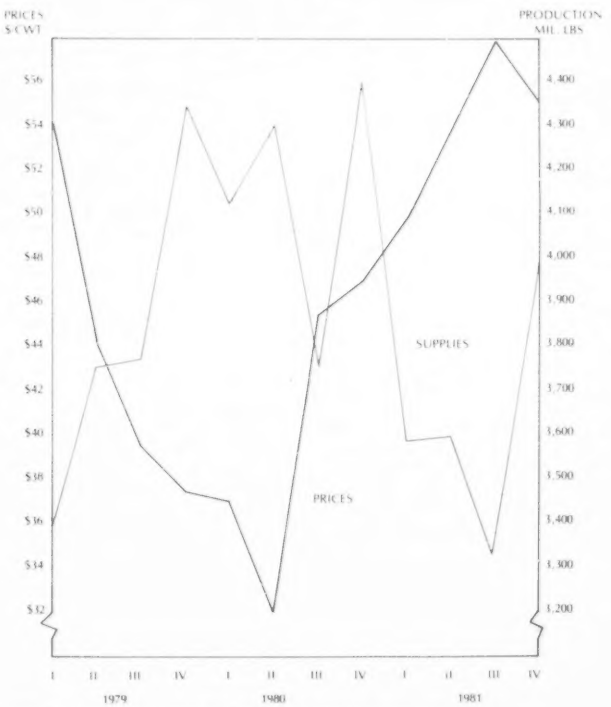
Pork: Supplies Will Decrease and Prices Will Rise

Pork production in 1981 will be down dramatically from 1980's record level. Chase Econometrics predicts that this year's pork production will total 14.5 billion pounds, a decrease of 12.5 percent from 1980's 16.6 billion pounds. Negative profit margins for producers throughout much of 1980 have caused most operators to cut back on production. Although profits for producers are expected to increase this year, much of the higher return will be offset by rising production costs, especially high feed costs.

Production on a quarterly basis will be significantly below corresponding quarters in 1980, as shown in the accompanying chart. Supplies will reach their lowest level in the third quarter and pick up significantly in the fourth quarter.

Wholesale pork prices will increase nearly 34 percent in 1981, according to Chase Econometrics. Prices will average $54 per hundredweight this year compared to $40.41 last year. Prices in the mid to upper $50's will be reached in the last half of the year due to decreased supplies, especially in the third quarter.

Pork Prices and Supplies, 1979-1981



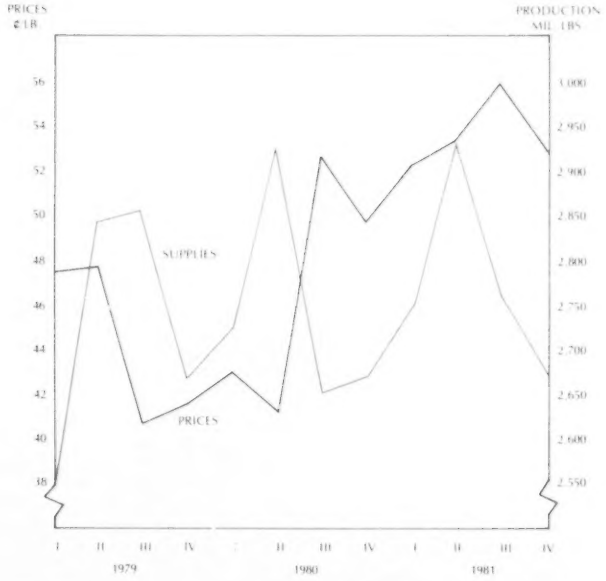
SOURCES: U.S. Department of Agriculture Chase Econometrics.

Chicken: Increased Demand and Lower Supplies of Competing Meats Will Result in Higher Prices

Chicken production is expected to expand to 11.4 billion pounds, up only 3 percent from 1980's level. Loss of breeder hens from last summer's drought and lower profit margins have caused producers to scale down future production. Supplies of chicken will continue to increase for the fifth consecutive year, however.

Alen Baker, a USDA livestock analyst, stated that broiler output may expand one percent above levels in the first quarter of 1981 and be about equal to year-earlier levels in the second quarter. If prices are above production costs, especially in the second quarter when demand usually increases seasonally, second half 1981 production could equal first-half production. On the other hand, if feed costs rise more than expected or broiler prices are lower than expected, second half 1981 chicken production could be reduced.

Broiler Prices and Supplies 1979-1981



SOURCES: U.S. Department of Agriculture; Chase Econometrics.

Broiler prices are expected to strengthen in 1981 as the economy expands and supplies of competing meats, particularly pork, decline. Wholesale prices for broilers, according to USDA's Baker, may average 51 to 53 cents in the first quarter of 1981 and increase to 54 to 56 cents in the second quarter. These prices would be significantly above the 43 and 41 cents of the first and second quarters of 1980. Prices in the second half of 1981 may average 55 to 58 cents, dropping to the lower end of the range as demand weakens in the fourth quarter. Overall, 1981 broiler prices should advance about 15.0 percent compared to a 5.0 percent rise in 1980.

Eggs: Production Down and Prices Up

Egg output in 1981 will most likely be one percent less than in 1980, with most of the reduction occurring in the first quarter and output equaling 1980 levels in the rest of the year. Recent movements in prices and egg consumption suggest that cuts in output will generate price increases that allow producers to cover production costs.

Egg prices tend to move with prices of other high-protein foods, according to USDA's Baker. When prices of meats increase, eggs may become an alternative source of protein, and increased meat demand and low supplies in the second half of 1981 could boost meat prices and give additional strength to egg prices. If producers reduce output in the first half of 1981, egg prices will be much stronger than in 1980. Prices may average 76 to 78 cents per dozen in the first quarter, compared to prices in the low 60's a year-earlier. In the second quarter prices should decline to the low 70's because of weakening demand. Prices in 1981's second half may rise 11 percent over the prior year and average 79 to 81 cents if the economy improves and demand for high protein foods increases. Overall, egg prices are expected to average about 74 cents a dozen this year an increase of 12 percent from 1980's average of 66 cents.

NRA FOODSERVICE TRENDS

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Dairy Products: Plentiful Supplies

Milk production will be at a record level in 1981 according to Clifford M. Carman, USDA's dairy expert. However, commercial use of milk in other dairy products will remain constant, forcing USDA to continue to remove products from the market and causing prices to remain high.

Milk prices in the first quarter will rise due to higher production costs and seasonal changes resulting in higher fat content and causing processing costs to rise. For the rest of 1981, the farm milk price will be based on the mandated April 1, 1981 support price increase, the supply of milk and its demand. (NOTE: Dairy support prices were increased 6 percent in April of 1980 and 13 percent in October.) Overall, USDA expects the farm price of milk to rise about 10 percent this year.

With commercial stocks of butter more than a quarter below a year ago (as of October 1), wholesale butter prices would normally be expected to strengthen. However, the expected large production of butter this past fall and the sellback policy by USDA will limit upward price movement. For 1981, butter price advances will closely parallel advances in support price levels, unless commercial use picks up.

Although commercial stocks of American cheese are also below last year, any price strength will be due to an upswing in sales from the sluggish pace of much of 1980. Because of higher meat prices in 1981, American cheese use should improve, and wholesale price may advance above the support price. USDA's sellback policy will limit the upward climb however.

Vegetables: Tighter Supplies

Small supplies of both fresh and processed vegetables this past season will mean higher prices for many vegetables at least until the middle of this year. In addition, increased processing costs and rising demand will also put upward pressure on prices. Supplies of canned vegetables are expected to be about 6 percent smaller during the 1980/81 season and prices will remain above year-earlier levels. The supply-price picture for frozen vegetables is about the same: supplies will be tighter and prices will be substantially higher than last year. Increased processing and marketing costs will raise prices for frozen vegetables more rapidly than those for canned vegetables. Overall, 1981 processed vegetable prices should rise about 11 percent in 1981.

Because most vegetables are readily interchangeable with one another at both the production and consumption ends of the marketing spectrum, forecasting supplies and prices for individual items is difficult, if not impossible. USDA economists, however, believe that smaller supplies of processed vegetables together with higher processing and marketing costs will result in higher prices for both canned and frozen vegetables in early 1981. As a result, USDA expects larger plantings and increased supplies of many vegetables during the spring and summer of 1981 with some price relief late this year.

NRA will be monitoring vegetable supplies and prices in 1981 and will report any significant changes in future issues of *Foodservice Trends*.

Fruit: Ample Supplies

The Fruit industry in the 1980/81 season expects to repeat the preceding season's pattern with ample supplies of both citrus and non-citrus fruits. Even with larger supplies, prices are expected to rise because of increased marketing costs.

The first forecast of the 1980/81 citrus crop, as shown in the accompanying table, indicates a record crop of 16.5 million tons. Dominating the citrus scene is the prospect of another record for orange production, primarily because of the record crop from California.

Fresh orange prices at both farm and retail levels in 1980 were substantially below year-earlier levels. The record crop prospects for 1980/81, combined with larger carryover stocks of most processed items, especially frozen concentrated orange juice, will cause orange prices to remain weak. Prices of fresh oranges will be lower than last year, barring a major freeze.

Non-citrus fruit supplies are plentiful and grower prices are expected to average less than a year-earlier. However, prices for most canned fruits are rising and will continue to do so because contracted prices are higher and processing costs are moving upward. Dried fruit (raisins, prunes) prices are expected to remain steady due to large supplies.

U.S. Citrus Fruit Production

Crop	1978/79	1979/80	1980/81
		1,000 short tons	
Oranges	9,160	11,839	11,916
Grapefruit	2,661	2,875	2,828
Lemons	745	789	984
Limes	29	44	48
Tangelos	189	288	234
Tangerines	237	275	273
Temples	212	270	257
Total	13,233	16,380	16,540

NOTE: Excludes California grapefruit in areas other than desert valley.

SOURCE: U.S. Department of Agriculture.

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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

Volume 3, Number 1
February, 1981

analysis and interpretation
- the industry
- the market
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- **Your Cooperation is Needed as NRA Launches 1981 Study of Industry Operations.**
- **New Data Released on Average Meal Costs by Census Bureau.**
- **CREST Study Shows That Singles Restaurant Visit Behavior Changed.**
- **CREST Report: Customer Traffic Increases 1.4 percent in Fall Quarter.**
- **Spending on Food Away From Home by the Rich and the Poor Revealed in New Survey.**
- **1980 Index to *Foodservice Trends* Articles.**

YOUR COOPERATION IS NEEDED AS NRA LAUNCHES 1981 STUDY OF INDUSTRY OPERATIONS

NRA will launch a comprehensive study of foodservice operations this month in cooperation with the accounting firm, Laventhol and Horwath. We urge each NRA key member to participate in this valuable study designed to obtain a wealth of financial and operating data from all types of restaurants.

The study will update *Restaurant Industry Operations Report '79* which continues to be much in demand. It is designed to provide operators with valuable industry information, including the following:

—return on investment
—composition of payroll costs by function
—ratios of food and beverage costs
—controllable expense ratios
—break-even point analysis
—net income

Data will be compiled on the basis of location, sales, years in business and type of unit including:

—full menu, tableservice restaurants
—limited menu, tableservice restaurants
—coffee shops
—fast food restaurants
—cafeterias

Your cooperation is needed to make this continuing effort a success. We urge each NRA key member who will receive a questionnaire concerning restaurant operations to see that it is completed and returned to Laventhol and Horwath.

As an added incentive, participants in the survey will receive a complimentary copy of the comprehensive survey report scheduled to be available by mid-summer.

NEW DATA RELEASED ON AVERAGE MEAL COSTS BY CENSUS BUREAU

The Bureau of the Census has recently released information from the *1977 Census of Retail Trade* which, for the first time, enumerates eating places and their sales by per person check size. These data for restaurants, commercial cafeterias and fast food or refreshment places were collected by Census at the suggestion of the National Restaurant Association. Since check size is one of the three primary determinants of restaurant type, along with service and menu, these data constitute a wealth of new information about our industry. They are especially valuable because they are available for most states and many metropolitan areas.

For the first time we are able to say, with a degree of certainty, that in 1977 there were 4,111 higher-priced restaurants with average per person check size of $10.00 or more in the United States.

Restaurant Operators Will Find Information Useful

The information in this latest Census publication can be especially valuable for a restaurateur who might be studying the feasibility of entering a specific market such as Colorado Springs, Colorado. The data for res-

Average Cost Per Meal—1977

	Restaurants and Lunchrooms				Cafeterias				Refreshment Places			
	Establishments		Sales (000)		Establishments		Sales (000)		Establishments		Sales (000)	
	#	%	#	%	#	%	$	%	#	%	$	%
Average Cost of Meal Under $2.00	23,137	19.4%	3,175,248	11.2%	2,802	40.0%	366,991	19.9%	52,550	56.9%	11,028,027	56.5%
Average Cost of Meal $2.00 to $4.99	69,190	58.2%	14,722,973	51.7%	4,160	59.4%	1,456,914	72.1%	38,366	41.5%	8,184,834	41.9%
Average Cost of Meal $5.00 to $9.99	22,458	18.9%	8,450,447	29.7%	35	0.5%	N.A.	8.0%	1,392	1.5%	303,023	1.5%
Average Cost of Meal $10.00 or More	4,111	3.5%	2,122,147	7.4%	4	0.1%	N.A.		49	0.1%	10,698	0.1%
Total	**118,896**	**100.0%**	**28,470,815**	**100.0%**	**7,001**	**100.0%**	**1,841,056**	**100.0%**	**92,357**	**100.0%**	**19,526,582**	**100.0%**

SOURCE: *1977 Census of Retail Trade*, "Miscellaneous Subjects," U.S. Department of Commerce, Bureau of the Census.

taurants in this particular metropolitan area are shown in the accompanying table and describe the competition in some detail. For example, in 1977 there were 5 restaurants in Colorado Springs with an average per person check of $10.00 or more. These units had average sales of $235,400.

Average Cost Per Meal at Restaurants in Colorado Springs, Colorado—1977

Average Meal Cost	Number of Units	Sales (000)
Under $2.00	54	$ 4,639
$2.00 to $4.99	100	20,355
$5.00 to $9.99	27	11,163
$10.00 or more	5	1,177
Total	186	$37,334

SOURCE: *1977 Census of Retail Trade*, "Miscellaneous Subjects," U.S. Department of Commerce, Bureau of the Census.

This type of detailed information, which is available for approximatley 150 metropolitan areas, along with demographic trends and projections should prove to be a valuable tool in assessing competition and evaluating specific market areas for restaurant operators and managers. Readers who wish to obtain information for a specific metropolitan area may contact NRA's Information Resource Center, 311 First Street, N.W., Washington, D.C. 20001 or the Bureau of the Census.

Average Cost Per Meal Under $2.00 Most Prevalent at Refreshment Places

At the majority of fast food establishments, those classified as refreshment places, the average meal costs less than $2.00. On the other hand, only 40 percent of the cafeterias and less than 20 percent of the restaurants have average meal costs under $2.00. This reflects the lower cost, limited number of menu items available at fast food places compared to the full menu service aspect of restaurants.

Nearly 60 percent of the restaurants reported that average meal costs range between $2.00 and $4.99 and slightly less than 20 percent have average meal costs ranging between $5.00 and $9.99. In addition, 3.5 percent of the restaurants were classified as having average per person meal costs of $10.00 or more. Readers should note that this is the only eating place category where a significant amount of sales can be attributed to establishments with the highest meal costs. This most likely reflects the full service nature of these foodservice establishments as well as their emphasis on providing patrons with a full line of food and beverage items.

NRA FOODSERVICE TRENDS

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CREST STUDY SHOWS THAT SINGLES' RESTAURANT VISIT BEHAVIOR CHANGED

CREST (Consumer Reports on Eating Share Trends) has recently completed its second year of tracking eating out behavior for single person households. This new information reveals changes made by singles in their restaurant visit behavior during the past year and completes the picture for the family and singles restaurant market. The following report will highlight the more important findings from this CREST study for the year ending August 1980. (For information relating to singles eating out behavior for the period from September 1978 to August 1979 readers should refer to the February 1980 issue of *Foodservice Trends*).

Singles Spend More and Eat Out More Frequently

Single person households account for 24 percent of restaurant sales and 20 percent of the customer traffic, according to CREST data for the period September 1979 through August 1980. On the other hand, CREST families (persons from households with two or more persons) account for 76 percent of the sales and 80 percent of the traffic during this same twelve month period. The importance of the contribution that singles make to our industry becomes clear when it is remembered that members of single households make up only 8 percent of the total population versus 92 percent for members of families. Although singles account for just 8 percent of the population, they spend a hefty 24 percent share of restaurant dollars.

Percent Change Versus Year Ago (Sept. '79-Aug. '80 versus Sept. '78-Aug. '79)

	Singles	Families	Total Households
Dollar Sales	+ 1.7%	+4.8%	+4.1%
Traffic (Eater Occasions)	− 8.5%	−3.8%	−4.8%
Number of Households	+ 5.8%	+1.3%	+2.3%
Average Per Person Check	+11.3%	+9.0%	+9.1%

NOTE: Information based on average two week period.

SOURCE: CREST.

Singles, therefore, represent a prime market for our industry. They are more likely to eat out, eat out more frequently and spend more during each restaurant visit on a per person basis than do families, thereby accounting for their higher proportion of sales than eater occasions. In terms of penetration, defined by CREST as the percentage of persons/families eating out, singles show a slightly greater tendency to be part of the eating out market than do families. Penetration for singles reached 82.3 percent compared to a slightly lower 77.9 percent for families. During an average two week period, singles patronize restaurants 10.5 times while patron families visit only 8.5 times. A greater flexibility concerning where or when they eat and the relative convenience of eating out versus eating at home probably accounts for the higher visit frequency and greater penetration for single person households.

CREST data indicate that the average per person check size for single panel members was $3.06, 26 percent higher than the $2.43 for family panel members. Other research data from both government and private sources also indicate that single person households spend considerably more on food away from home on a per capita basis than do families. For example, information from the *1972-73 Consumer Expenditure Survey* conducted by the Bureau of Labor Statistics showed that singles spend twice as much on an annual per capita basis on meals outside the home as do all households.

Traffic for Singles Drops 8.5 Percent

All of the negative factors operating to hold down restaurant visits by families may have had a stronger impact on single households. These factors include higher gasoline prices, higher housing costs and declines in real disposable income. In addition, higher unemployment for singles in 1980 probably contributed to their reduction in restaurant visits. Bureau of Labor Statistics data on unemployment show that the jobless rate for singles was consistently higher than the overall rate for the U.S. last year. The loss of income by singles was likely more severe than that for families because there was no second income to fall back on. As a result customer traffic at restaurants for singles dropped 8.5 percent compared to a 3.8 percent decline for families. Overall industry customer counts were down 4.8 percent for the year ending August 1980.

The reason for the dramatic fall off in traffic for singles is that many singles dropped out of the eating out market and others cut back on their frequency of dining out. For the year ending August 1980, 82 percent of the single households ate out, down considerably from 88 percent for the prior 12 month period, representing the

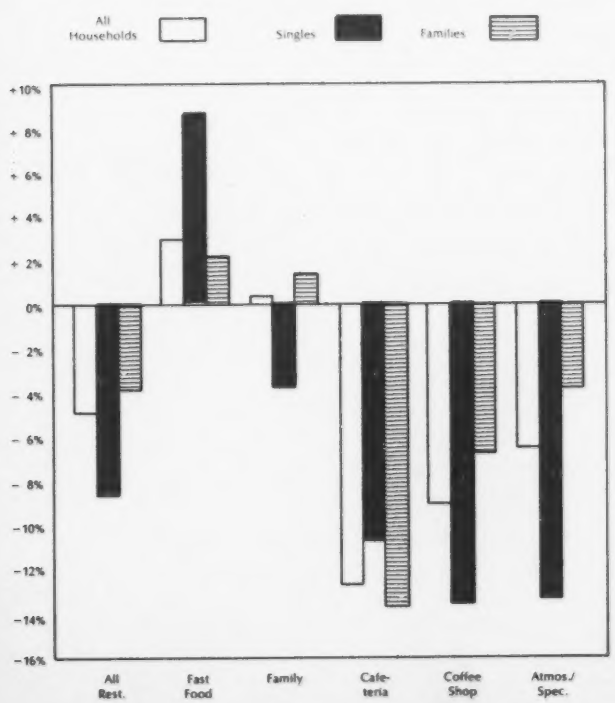
largest drop in penetration in CREST history. In this latest CREST year, one person households ate out an average of 10.5 times during a two week period compared to 11.3 times for the prior CREST year. The decline in single customer traffic becomes even more dramatic when the substantial growth in one person households of 5.8 percent last year is noted as well. CREST researchers say that singles with incomes under $10,000 were more likely to drop out of the market, while singles between the ages of 35 to 49 cut back most drastically on their frequency of eating out.

Restaurant Sales Up Only 1.7% for Singles

Restaurant sales for singles rose only 1.7 percent during the year ending August 1980 because of a decline in number of singles eating out and a cut back in visit frequency. On the other hand, sales for CREST families rose 4.8 percent, and for the entire industry sales increased 4.1 percent.

Menu price inflation may have caused some singles to alter their eating out behavior. The per person check size for single panel members rose 11.3 percent during this recent CREST year.

Percent Change in Customer Traffic by Restaurant Type (Sept. '79-Aug. '80 vs. Sept. '78-Aug. '79)



SOURCE: CREST.

Singles Increase Visits to Fast Food Restaurants

One segment of the restaurant industry benefited from changes made by singles in their eating out behavior. Singles traffic at fast food restaurants rose an impressive 8.7 percent compared to a gain of 2.2 percent for families. Singles traffic at family restaurants also held up better than overall ~~singles traffic~~ a decline of 3.7 percent versus a decline of 8.5 percent. On the other hand, significant traffic declines for singles were noted at take out restaurants, coffee shops, cafeterias and atmosphere/specialty restaurants, as shown in the accompanying chart.

An analysis of single eater occasions (traffic) by restaurant type indicates that one person households apportioned the greatest percentage of their occasions to fast food restaurants for the year ending August 1980. Twenty-two percent of single person eating occasions were at fast food restaurants up from 18.8 percent in the prior year. However, the proportion of visits to atmosphere/specialty restaurants dropped during this same period, from 19.8 percent to 18.8 percent.

A possible explanation for this change in singles restaurant behavior is that inflationary pressures caused them to "trade down" as many families had done. The per person check size for these one person households for atmosphere/specialty restaurants is $5.82 compared to $2.19 at fast food restaurants. At a time when real incomes were declining, many singles altered their behavior in favor of fast food restaurants, but they continued to patronize the foodservice industry.

Supper Traffic for Singles Up 6.5%

An analysis of customer traffic by meal period for singles shows that supper customer counts held up best. For CREST singles traffic for the evening meal rose 6.5 percent versus a drop of 2.1 percent for CREST families. Perhaps singles find supper to be the easiest meal to eat out because of their more flexible schedules and the relative inconvenience of fixing a meal for only one person.

In the latest CREST year, singles were satisfying fewer of their breakfast and luncheon occasions at restaurants. For this group, breakfast traffic was down 16.0 percent compared to a traffic gain of 4.7 percent for families. Luncheon customer counts dropped by 15.7 percent for singles, over three times the rate of decline for families.

NATIONAL RESTAURANT ASSOCIATION

CREST REPORT

Quarterly Supplement to Foodservice Trends

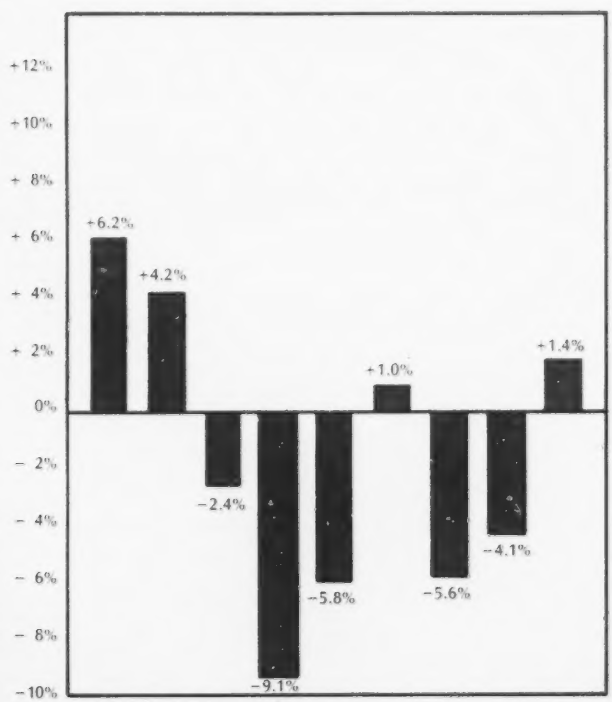
February, 1981

- **Customer traffic increased 1.4 percent in the Fall Quarter over the same period last year.**
- **Industry sales rose 9.8 percent in the Fall Quarter, more than double the 4.1 percent increase in the Summer Quarter.**
- **The number of families eating out increased 2.5 percent, but families cut back on their frequency of eating out.**
- **Traffic rose 5.3 percent at family restaurants and 3.5 percent at fast food restaurants.**
- **Promotional usage by operators continues at a high level, with 9 percent of the occasions in the Fall Quarter involving a promotion versus only 7.7 percent of the occasions last fall.**
- **Supper traffic increased 3 percent in the fall, snack traffic was up 1.7 percent and breakfast customer counts continued to rise for the fifth consecutive quarter.**

CUSTOMER TRAFFIC INCREASES 1.4 PERCENT IN FALL QUARTER

Restaurant traffic counts increased 1.4 percent in the Fall Quarter (September, October, November) according to recent CREST information, signaling a possible recovery for the industry. This is the first increase since Winter Quarter 1980 and follows steep declines of 4.1 percent in the Summer Quarter and 5.6 percent in the spring. Traffic in the same quarter last year (Fall 1979) was down 5.8 percent, indicating that restaurant customer counts are still below 1978 levels. However, the steady improvement in traffic since the disastrous Summer Quarter of 1979, may mean economic recovery for the industry this year. (See accompanying chart on quarterly changes in customer traffic.)

Percent Change in Quarterly Customer Traffic (Fall '78-Fall '80)



SOURCE: CREST.

The recent industry performance was apparently helped by the slowdown in price increases for food away from home. The CREST Fall Quarter was the first one since Spring 1979 that grocery store food prices increased at a faster rate than menu prices. Food away from home increased 9.6 percent in this most recent quarter (September, October, November) compared to the 10.3 percent increase for food at home prices. For all of 1980, however, food away from home averaged 9.9 percent higher, while food at home prices rose at a slower 8.0 percent pace. The NRA predicts that in 1981 menu prices will rise at a substantially slower pace than grocery prices, 10.0 percent versus 13.0 percent, giving restaurants the competitive advantage.

Most economists agree that the nation's economy is currently in the recovery stage, but growth will be slow, especially in the first half of 1981. NRA's forecast is consistent with those who project continuing increases in unemployment and inflation as measured by the Consumer Price Index. Real disposable income is estimated to increase 1.5 percent in 1981 after falling slightly in 1980. In light of this, NRA predicts modest improvement for 1981 for commercial restaurants (eating

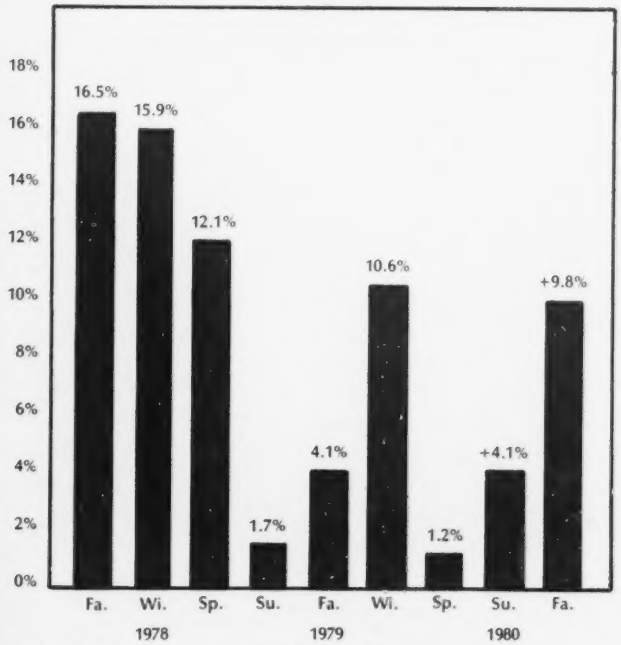
places), with a real sales (adjusted for inflation) increase of 0.6 percent. (See December 1980 *Foodservice Trends*)

More Families Are Eating Out

Families returned to the eating out market in the Fall Quarter. Family reach (the number of families eating out) increased 2.5 percent from the year-earlier quarter and was a major contributor to the Fall Quarter's traffic advance. Perhaps a lessening of inflationary pressures as well as increases in real disposable income provided more consumers with the opportunity to eat out than in previous periods.

Visit frequency, the number of times each restaurant patron family goes to a restaurant, fell slightly in the Fall Quarter. The one percent decline from the year earlier period, however, is considerably less than those experienced in the two previous quarters. Visit frequency has been falling since the 1979 Winter Quarter when the worst decline was experienced. The degree of decrease has lessened during each subsequent quarter, and considerable improvement can be seen when comparing the Fall Quarter's one percent decline with the previous quarter's drop of 5.4 percent.

Percent Change in Quarterly CREST Sales (Fall '78-Fall '80)



Sales based on total U.S.; average for 2 week period each quarter.

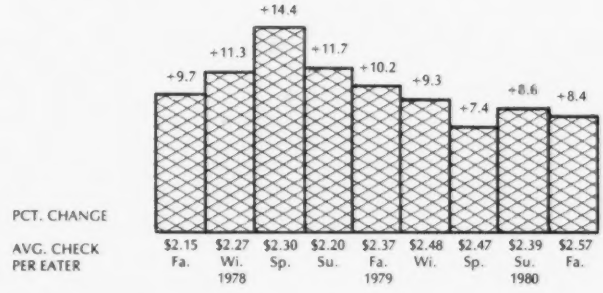
SOURCE: CREST.

Industry Sales Increase 9.8 Percent in Fall Quarter

Restaurant industry sales increased 9.8 percent in the Fall Quarter over the same period a year ago, according to recent CREST information. This is a substantial improvement over the Summer Quarter's 4.1 percent increase, indicating a strengthening in the industry's health. Contributing to the improved performance was the 1.4 percent increase in traffic as well as the 8.4 percent increase in per person check size.

The average expenditure for a restaurant meal or snack (Eater Check Size) increased 8.4 percent in the Fall Quarter. This is slightly smaller than the Summer Quarter's increase of 8.6 percent and is primarily the result of moderation in menu price increases. In addition, this reduction in eater check size may also be due to patron changes in the number and type of menu items ordered.

Average Per Person Check* (Fall '78-Fall '80)



*Based on average two week period.

SOURCE: CREST.

Promotional Activity Reaches New High

The Fall Quarter CREST data indicate that restaurant operators are continuing to use promotions as a means of increasing customer traffic, with 9.0 percent of the meal occasions utilizing a promotion. Supper was the meal with the highest usage, a record 13.7 percent of the occasions involved a promotion.

A look at promotion usage by restaurant type shows that fast food, atmosphere/specialty and family restaurants have the highest percentage of use. Fast food restaurants experienced a considerable increase, rising to 11.8 percent of the occasions in the Fall Quarter, up from 9.8 percent in the previous quarter (Summer). At atmosphere/specialty restaurants and family restaurants promotions were utilized at 9.0 percent and 8.8 percent of the occasions respectively.

Percent of Occasions Utilizing a Promotion

	Winter (D-F)	Spring (M-M)	Summer (J-A)	Fall (S-N)
1978	7.4%	7.3%	5.6%	7.3%
1979	7.7%	6.7%	6.4%	7.7%
1980	8.7%	8.7%	7.8%	9.0%

SOURCE: CREST.

Traffic Continues to Increase at Family and Fast Food Restaurants

Customer counts remained strong at family restaurants in the most recent quarter, with traffic up 5.3 percent over the year earlier period. Traffic at this restaurant type was helped by more modest price increases. The average per person check rose only 7.1 percent versus 8.4 percent for all restaurants. In addition, family restaurants were able to attract more families to their establishments.

Traffic at fast food restaurants increased 3.5 percent in the Fall Quarter compared to a much smaller advance of about one percent in the previous quarter. Two factors contributed to this improved performance, more moderate increases in menu prices and increased family reach. First, the per person check size advanced 8.4 percent in the Fall Quarter compared to a much larger 9.6 percent increase experienced during the previous quarter. Second, more families were eating out at fast food restaurants this quarter than in the same period last year.

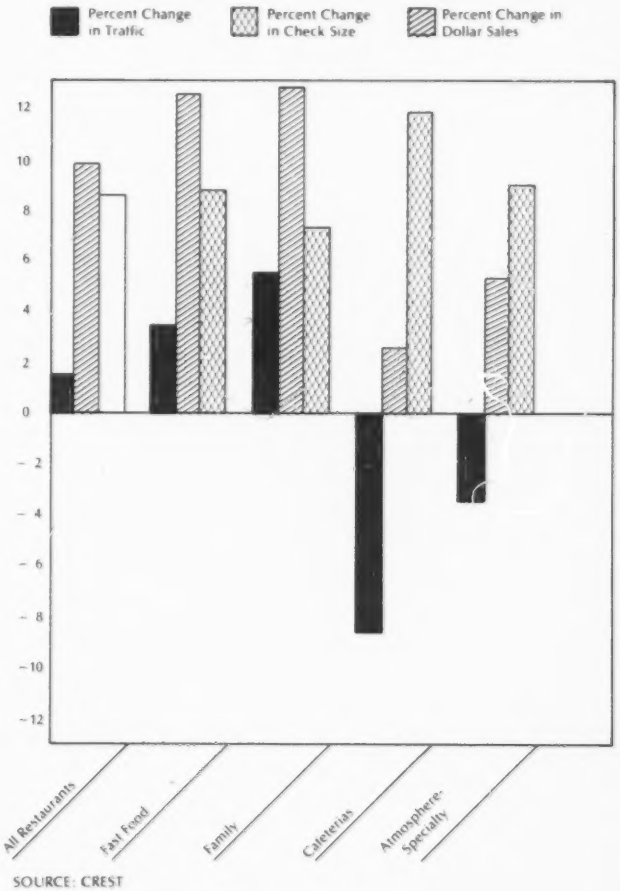
Traffic increased 2.3 percent at coffee shops in the Fall Quarter, reversing the trend of traffic declines in previous quarters. Menu prices rose 8.1 percent for this restaurant type in the Fall Quarter compared to an 8.4 percent increase for all restaurants. This increase is considerably lower than those experienced in recent quarters and probably contributed to the improvement in traffic. Families also increased their frequency of eating out at coffee shops in the Fall Quarter.

Customer counts continued to decline at both cafeterias and atmosphere/specialty restaurants, but the rate of decline has lessened. Lower menu price increases, an increase in the number of times patron families visited atmosphere/specialty restaurants and increased promotional activity contributed to this restaurant type's better performance.

Supper, Snack and Breakfast Traffic Increase

Supper traffic increased nearly 3 percent in this most recent CREST quarter, representing the largest traffic gain for any of the four meal periods and replacing breakfast as the leader in traffic advances. A slight increase in visit frequency as well as more families eating out for the evening meal contributed to the rise in supper traffic counts. In addition, increased promotion usage for this meal also helped boost customer counts.

Fall Quarter Performance by Selected Restaurant Type



SOURCE: CREST

Customer traffic for snacks was up 1.7 percent in the Fall Quarter from the same period a year ago. Snack traffic has suffered the worst declines of any meal period since the Spring Quarter of 1979, and this quarter recovery may bode well for the industry since snacking is the most discretionary meal. At snacking occasions, however, the average per person check size was up 11.3 percent from the 1979 Fall Quarter.

Breakfast traffic counts increased for the fifth consecutive quarter. Traffic was up nearly 2 percent in the Fall Quarter from the same period a year earlier, compared to substantially larger increases in the previous quarters

of 7 percent and 5 percent. The larger increase in the average per person check size of 11.6 percent may have diminished the consumer's perception of breakfast as a good value. The frequency of eating out for the morning meal this quarter fell slightly from the year earlier, also contributing to the softness in customer traffic.

Lunch traffic fell 1.2 percent in the Fall Quarter from the same period a year ago, a considerable improvement, however, over the previous two quarters when traffic fell 6 percent and 4 percent respectively. The average unemployment rate in the 1980 Fall Quarter was 7.5 percent compared to a much lower average of 5.7 percent for the same quarter last year. This, along with workers either "brown bagging" or skipping the noon day meal, could account for the poor performance of lunch in recent quarters. Lunch prices are still rising faster than overall restaurant prices, but the gap is narrowing. In the Fall Quarter total restaurant prices rose 8.4 percent compared with a slightly higher 8.6 percent increase in lunch prices.

WHAT IS CREST

Launched in September 1975, The CREST (Consumer Reports on Eating Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study does track chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor. Readers wishing more information on how to participate in the CREST study should contact NPD Research, 9801 West Higgins Road, Rosemont, Illinois 60018.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

SPENDING ON FOOD AWAY FROM HOME BY THE RICH AND THE POOR REVEALED IN NEW SURVEY

Restaurant industry research studies such as those conducted by CREST, Roper, Gallup and the Bureau of Labor Statistics have indicated that upper income families spend considerably more on food away from home than lower income families. In addition, NRA's analysis of Consumer Expenditure Survey data from 1972-73 and 1960-61 revealed that as average family incomes rise to higher brackets, the per capita absolute amount spent for food away from home increases at an accelerated pace. Now a survey from the Department of Agriculture indicates that in recent years expenditures for food away from home may have increased more rapidly among lower income groups than for those at the upper end of the income scale.

In 1979 the Economics, Statistics and Cooperative Services (ESCS) division of the U.S. Department of Agriculture conducted a survey of 2,000 families to determine the relationship between income and overall food expenditures. ESCS analysts then compared the results of their study to the *1972-73 Consumer Expenditure Survey* of 45,000 families conducted by the Bureau of Labor Statistics. The families in both studies were divided into five income groups, and data were compiled on expenditures for both food at home and food away from home for each income segment. Some of the conclusions reached from the ESCS analysis may be of particular interest to restaurant operators.

Food Expenditures By Income Group

Family Income Group	Average Income		Family Size		Per Capita at Home Food Expenditures		Per Capita Away from Home Food Expenditures	
	1972-73	1979	1973	1973	1973	1979	1973	1979
Lowest	$ 2,413	$ 4,925	1.6	2.0	$445	$622	$105	$238
Lower Middle	6,072	9,511	2.4	2.5	425	625	130	213
Middle	10,178	13,868	3.0	2.9	427	597	163	202
Upper Middle	14,791	19,948	3.5	3.1	438	647	184	298
Highest	25,860	33,785	3.8	3.4	492	648	270	316
Average	$11,419	$16,412	2.8	2.8	$461	$629	$184	$259

SOURCES: *1972-73 Consumer Expenditures Survey*, Bureau of Labor Statistics; Economics, Statistics and Cooperative Services, U.S. Department of Agriculture.

Income Has More Effect on Spending for Food Away From Home

We have summarized the food expenditures for each of the five income groups in the accompanying table, and readers will note that information from both government surveys is given. Although little disparity exists among the five income categories with regard to at home food spending in both 1972-73 and 1979, this is not true for food away from home spending. In the 1972-73 survey, the lowest income group spent only $105 annually on a per capita basis for meals outside the home compared to $270 for the highest income group. Although the gap between "rich" and "poor" still existed in the 1979 ESCS study, it had narrowed considerably, $238 for the lowest income group versus $311 for the highest income group.

If we look at these food way from home expenditures on a total family basis as shown in the accompanying

Total Family Away From Home Expenditures

Family Income Group	Expenditures 1973	Expenditures 1979	Percent Change
Lowest	$ 168	$ 476	183.3%
Lower Middle	312	533	70.8%
Middle	489	586	19.8%
Upper Middle	644	924	43.5%
Highest	1,026	1,074	4.7%
Average	$ 515	$ 725	40.8%

SOURCES: *1972-73 Consumer Expenditure Survey*, Bureau of Labor Statistics; Economics, Statistics and Cooperative Services, U.S. Department of Agriculture.

table, we see that during the six year period lower income families increased their dining out expenditures at a considerably faster pace than did upper income families. Spending for food away from home among families in the lowest income segment advanced from $168 in 1973 to $476 in 1979, an increase of 183.3 percent. On the other hand, spending for meals outside the home for families in the highest income segment rose from $1,026 in 1973 to only $1,074 in 1979, a gain of less than 5 percent. Although these upper income families outspent their lower income counterparts by a ratio of more than two to one, their increase in spending lagged well behind inflation.

Caution Urged in Interpreting These Results

The results of this survey indicate that lower income families may provide greater growth opportunities for the restaurant industry than do upper income families. Analysis of these two government studies shows that income and food away from home expenditures for "poor" families have risen at a very fast pace between 1973 and 1979. On the other hand, increases in income and spending for meals outside the home for "rich" households have not kept pace with inflation during the same time period.

USDA's Economics, Statistics and Cooperative Services division and the National Restaurant Association urge operators and researchers to use caution when interpreting these startling survey results. One of the primary reasons for suggesting this is because sampling techniques for the two government studies were different. The sample composition for the ESCS survey consisted of 2,000 families who were surveyed during the course of a one year period on a quarterly basis for a two week period. The BLS study covered 45,000 families and was conducted over a two year period. ESCS had difficulty in obtaining enough lower income families willing to participate in its study and believes that many of those who did participate had incomes above this category's average of $4,925. As a result, it is felt that income and food away from home expenditures are overstated for the lowest income segment, making exact comparisons between the two research projects difficult.

Another reason for caution in interpreting these results is that family demographic and lifestyle changes were not taken into consideration. For example, the two studies do not address such issues as the aging of the population, children leaving the "family nest" and forming their own households, changes in family eating habits and the growing sophistication of today's restaurant patron.

Before restaurateurs begin to re-target their advertising and promotional activities based on the limited conclusions of this ESCS research study further evidence is needed. In addition, information concerning the impact of many social and demographic changes on consumer eating out behavior and attitudes should be reviewed. Specifically, operators and researchers may want to investigate some or all of the following and determine how they can influence eating out behavior and patron expectations.

—Number of working women and their movement into higher paying and more demanding occupations.
—Use and amount of leisure time.
—Frequency of eating out by families and singles.
—Family life cycle, i.e., young couple with no children, couple with children under 13, etc.
—Growing sophistication of the restaurant patron (changing taste trends and type of restaurant visited).
—Overall changes in consumer attitudes and behavior.

The National Restaurant Association is able to offer information on these topics through its monthly publication *Foodservice Trends* as well as through its Information Resource Center and Education Materials Center.

Industry Index

RETAIL SALES (000,000)	Dec. 1980	Percent Change vs. Year Ago	Year to Date Sales Dec. 1980	Percent Change vs. Year Ago
All Retailers	$942,462	+ 6.4%	$942,462	+ 6.4%
Eating & Drinking Places	$ 80,840	+ 7.6%	$ 80,840	+ 7.6%
Food Stores	$211,962	+10.8%	$211,962	+10.8%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (Dec.)	Percent Change vs. Year Ago	Percent Change 1979 to Date vs. Year Ago
Food at Home	+10.6%	+ 8.0%
Food Away from Home	+ 9.6%	+ 9.9%
All Items Less Food	+12.8%	+14.6%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	Nov. 1980	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$5,771	+3.2%	$65,564	+7.8%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (Nov.)	−6.4%	−2.2%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

1980 INDEX TO FOODSERVICE TRENDS ARTICLES

BEER: Beer, Wine And Soft Drink Consumption Continues To Increase (Supplement, September 26, 1980).

CONSUMER BEHAVIOR: Economic Pressures of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May); *Roper Reports:* Decline In Eating Out (June); *Roper Reports:* Changes In Eating Out Behavior (November). Also see **CREST.**

CONSUMPTION PATTERNS: Wine Consumption In Restaurants Posts Continued Expansion (January); *Roper Reports:* Consumers Aware Of Where They Err In Their Diets (February); Beer, Wine and Soft Drink Consumption Continues To Increase (Supplement, September 26, 1980).

CREST: Wine Consumption In Restaurants Posts Continued Expansion (January); Single Households Seen As Being Increasingly Important To The Restaurant Industry (February); Traffic Declines Continue In Fall Quarter (February); Economic Pressures of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May); Customer Traffic Increases In Winter Quarter (May); Customer Traffic Drops In Spring Quarter (August/September); Customer Traffic Declines Shown By CREST (November); Customer Traffic Declines 4% In Summer Quarter (November).

DEMOGRAPHICS: Single Households Seen As Being Increasingly Important To The Restaurant Industry (February); Economic Pressures Of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May).

EATING PLACES: NRA Makes Five Year Growth Projection For The Foodservice Industry (February); NRA Presents Revised 1980 Forecast (June); The Foodservice Industry: 1978 (June); Retail Census Update: Trend Toward Multiunit Operation (July); Foodservice Industry Sales: $122.7 Billion In 1981 (December); NRA Presents First Restaurant Sales Forecast For States And Regions (December); Industry Sales Top $111 Billion In 1980 (December). Also see **RETAIL CENSUS.**

ECONOMY: Northeast and Midwest To Be Most Effected By Recession (January); Economic Pressures Of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May); The Recession Has Finally Begun (May); Rising Unemployment Affecting All Regions (July); Slower Rise In Personal Income Shown In First Quarter (July); The Recession: Region By Region (August/September); Foodservice Industry Sales: $122.7 Billion In 1981 (December).

FAILURES: Eating And Drinking Place Failures Increase In 1979 (July).

FAST FOOD: Franchise Restaurant Sales Top $20 Billion In 1978 (March/April); Economic Pressures Of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May); Foodservice Industry Sales: $122.7 Billion In 1981 (December); Industry Sales Top $111 Billion In 1980 (December). Also see **CREST** and **RETAIL CENSUS.**

FOOD COST INDEX: NRA's Food Cost Index Up 2.1% In November (January); NRA's Food Cost Index Up 12.2% In 1979 (February). Also see **WHOLESALE FOOD PRICES AND SUPPLIES.**

FOODSERVICE INDUSTRY: NRA Makes Five Year Growth Projection For The Foodservice Industry (February); NRA Presents Revised 1980 Forecast (June); The Foodservice Industry: 1978 (June); Foodservice Industry Sales: $122.7 Billion In 1981 (December); Industry Sales Top $111 Billion In 1980 (December).

GALLUP: Rising Concern Over Value Of Restaurant Meals (March/April); Value Perception of Restaurant Meals Is Rising (Supplement, October 24, 1980).

MENU PRICES: NRA Presents Revised 1980 Forecast (June); The Foodservice Industry: 1978 (June); Sunbelt Cities Post Best Real Sales Gains (August/September); Foodservice Industry Sales: $122.7 Billion In 1981 (December); Industry Sales Top $111 Billion In 1980 (December).

MINIMUM WAGE: Youths Willing To Work At Subminimum Wage (May).

MULTI-UNIT OPERATIONS; Retail Census Update: Trend Toward Multi-unit Operation (July).

NEW PUBLICATIONS: NRA Offers Updated "Franchise Restaurants: A Statistical Appendix" (March/April); NRA Publishes New Operating Ratio Report (May).

NUTRITION: Menu Content Influenced By Consumer Health Concerns And Interest In Nutrition (January); *Roper Reports:* Consumers Aware Of Where They Err In Their Diets (February).

OPERATOR PANEL: Restaurant Operator Panel To Be Established (February); New Restaurant Operators Panel Publishes Initial Results (November).

PROJECTIONS: NRA Makes Five Year Growth Projection For The Foodservice Industry (February); Foodservice Industry Sales: $122.7 Billion In 1981 (December); NRA Presents First Restaurant Sales Forecast For States And Regions (December).

REGIONS: Northeast And Midwest To Be Most Effected By Recession (January); Rising Unemployment Affecting All Regions (July); Slower Rise In Personal Income Shown In First Quarter (July); The Recession: Region By Region (August/September); Sunbelt Cities Post Best Real Sales Gains (August/September); NRA Presents First Restaurant Sales Forecast For States And Regions (December).

RETAIL CENSUS: 1977 Retail Census Update (January); Retail Census Update: Trend Toward Multiunit Operation (July); Sunbelt Cities Post Best Real Sales Gain (August/September).

ROPER REPORTS: *Roper Reports:* Majority of Restaurant Patrons Report They Receive Good Service (January); *Roper Reports:* Consumers Aware Of Where They Err In Their Diets (February); *Roper Reports:* Decline In Eating Out (June); *Roper Reports:* Vacation Intentions Remain At Low Level (July); *Roper Reports:* Changes In Eating Out Bheavior (November).

SOFT DRINKS: Beer, Wine and Soft Drink Consumption Continues To Increase (Supplement, September 26, 1980).

SUGAR: Sugar Prices Moving Upward (November).

VACATIONS: *Roper Reports:* Vacation Intentions Remain At Low Level (July).

VALUE PERCEPTION OF MEALS AWAY FROM HOME: See **GALLUP.**

WHOLESALE FOOD PRICES AND SUPPLIES: NRA's Food Cost Index Up 2.1% In November (January); NRA's Food Cost Index Up 12.2% In 1979 (February); Wholesale Outlook: Red Meats and Poultry (May); Outlook For Wholesale Food Prices And Supplies (July); The Heat Wave: It's Impact On Meat Prices And Supplies (August/September); Outlook: Wholesale Meat Prices And Supplies (Supplement, October 24, 1980); Sugar Prices Moving Upward (November).

WINE: Wine Consumption In Restaurants Posts Continued Expansion (January); Beer, Wine And Soft Drink Consumption Continues To Increase (Supplement, September 26, 1980).

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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

A Supplement to the Washington Report
March 13, 1981

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

NRA PRESENTS 1979 FRANCHISE RESTAURANT REPORT

Highlights

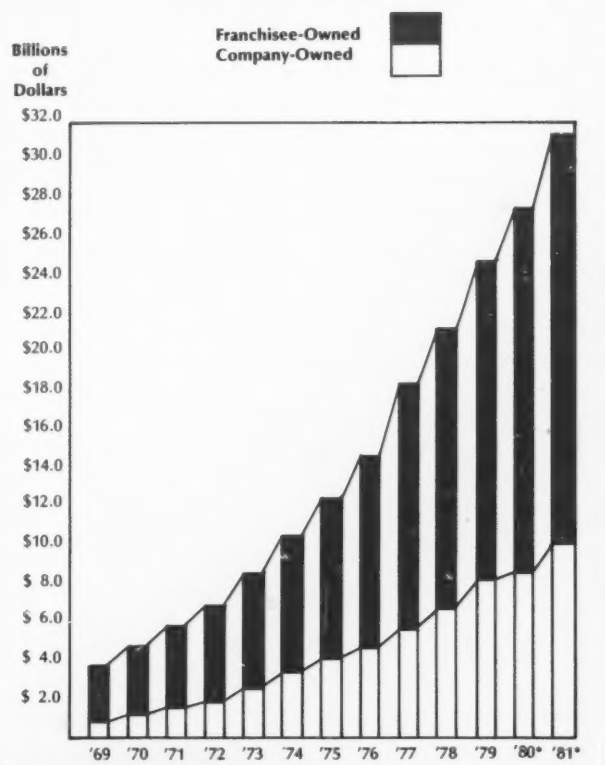
- **Franchise restaurant sales in 1979 were up 17 percent and totaled $24.8 billion, reflecting strong growth for all franchise categories.**
- **Thirty-three new companies began franchising in 1979 with the majority of new entrants engaging in the pizza and steak/full menu business.**
- **Franchise restaurant establishments boosted their share of eating place sales to 37 percent in 1979 from 34.6 percent in 1978.**
- **Restaurant franchise operators predict a sales increase of 11.9 percent in 1980 and expect stronger growth of 13.6 percent for 1981.**
- **Three franchising firms broke into the 1,001 + unit category in 1979, bringing the total number of such franchisors to fourteen.**
- **Seafood franchise restaurants posted the highest increase in sales of any category in 1979. Their 37 percent advance follows a 2.6 percent decline in 1978.**

FRANCHISE RESTAURANT SALES TOTAL $25 BILLION IN 1979

Franchise restaurants recorded sales of $24.8 billion in 1979, according to a recently released Department of Commerce Report. This report, entitled *Franchising in the Economy, 1979-1981,* is published annually and provides an important overview of the franchise restaurant business. It encompasses data on 399 franchise restaurant companies which operate 58,936 company-owned and franchisee-owned units. This recent government study reported that in 1979, 33 new companies began franchising, but 22 firms either abandoned franchising or went out of business, resulting in a net gain of 11 firms. Franchise restaurants are a very important segment of the commercial restaurant market. Both company-owned and franchisee units accounted for 37 percent of eating place sales in 1979, up from 34.6 percent in 1978, and 22.8 percent in 1972.

Sales for franchise restaurant firms rose 17.4 percent in 1979, with all categories reporting an increase in sales. In comparison, sales advanced 16.1 percent in the prior year, and two restaurant categories, seafood and chicken, reported a decline in sales. Estimates for 1980 and 1981 indicate that franchise operators expect sales to continue to rise, but at a slower pace than in the past, probably reflecting the effects of the 1980 recession and slow recovery in 1981. Respondents predict a sales increase of 11.9 percent for 1980 and 13.6 percent for 1981. Readers should note that these estimates are representative of the 399 firms in the most recent Commerce Department study and do not include any new or established firms which may have decided to begin franchising in 1980 and any present

Franchise Restaurant Sales 1969-1981



*1980 and 1981 sales estimated by respondents.
SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising in The Economy 1979-1981.*

firms going out of business or abandoning the franchise system.

Sales gains for company-owned units outpaced those for franchisee-owned units for the second year, although in the 1978 survey respondents had predicted a reversal of this trend. Sales of company-owned units increased 19.9 percent, to a total of $8.1 billion, while sales of franchisee-owned units advanced 16.2 percent for total sales of $16.6 billion. Projections for 1980 and 1981 indicate that franchisee-owned unit sales will rise at a faster rate than company-owned units.

Franchisors' forecast for unit growth for 1980 and 1981 is consistent with their sales predictions. They estimate the number of units will increase 6.9 percent in 1980, but will increase at a faster rate of 8.8 percent in 1981 as the economy improves.

Number of Large Firms Totals Fourteen

The largest franchising firms continue to occupy a prominent place in the franchise restaurant industry. In 1979, fourteen companies had more than 1,000 units each, an increase of three from the previous year and twice the total number of firms in this category in 1976. These large firms continue to move-up from the "second-tier", while the number of firms with 501-1000 units has fallen from 11 in 1978 to 8 in 1979.

Sales for these large, multi-unit franchisors totaled $14.4 billion or 58.2 percent of total franchise restaurant sales in 1979. In addition they account for 55 percent of total franchise restaurant units, up from 50.2 percent in 1978.

The majority of franchise firms, however, are relatively small. In 1979, 70.2 percent of the restaurant franchise firms had fewer than 50 outlets but accounted for only 7.3 percent of total franchise restaurant sales.

NRA FOODSERVICE TRENDS

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Franchisors Continue Customer Orientation

Franchise restaurant firms recognize the importance of offering customer amenities such as waiter/waitress service or drive-in facilities and self-service in order to compete with other restaurants. While most firms offer either one type of service or another, 20 firms offer both types, but one clearly dominates, as shown in the accompanying table.

Two hundred and fifty-two franchise firms offer self-service or drive-in facilities. This type of service is found at the more traditional "fast food" chains offering chicken, hamburgers, fish and sandwiches. One hundred and forty-seven franchise firms offered waiter/waitress service in 1979 compared with 135 in 1978. The largest number of firms offering this type of service fell into the steak/full menu category with 74 firms offering waiter/waitress service in 1979 compared with 68 in the previous year. Both types of service are common at pizza franchise outlets with 42 firms offering predominately self-service or drive-in facilities and 31 firms offering waiter/waitress service compared with 38 and 28 respectively in the year earlier. Pancake franchise restaurants, on the other hand, offer only waiter/waitress service.

Principal Type of Service Provided By Franchise Restaurant Chains, 1978-1979

Major Activity	Self-Service, Drive-In and Drive-Thru		Waiter or Waitress Service	
	1978	1979	1978	1979
Chicken	30	30	1	2
Hamburgers, Etc.	107	104	10	8
Pizza	38	42	28	31
Mexican	20	18	9	10
Seafood	9	8	2	3
Pancakes, Waffles	0	0	15	16
Steak, Full Menu	18	20	68	74
Sandwich and Other	31	30	2	3
Total	253	252	135	147

NOTE: Represents primary type of service offered, and expressed as the number of firms offering the service.
SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising in the Economy, 1979-1981.*

Hamburger Firms Continue to Dominate

"Hamburger, franks and roast beef, etc." firms, which include several of the industry giants, continue to dominate the franchise restaurant sector of the industry. They accounted for over half of franchise restaurant sales and 46 percent of the units in 1979. In

addition, the $12.7 billion in sales for these franchise firms represents 19 percent of total eating place sales, further indicating their importance to the foodservice industry.

Sales at hamburger, franks and roast beef establishments increased 17.3 percent in 1979, compared with the year earlier advance of 19.4 percent. In the last survey conducted in mid-1979 hamburger franchise firms predicted a larger increase of 19.3 percent. Franchisors most likely did not anticipate the gasoline shortage which occurred in the peak, summer quarter of 1979 as well as rising food costs. This caused a considerable decline in customer traffic for all restaurants of 9 percent that summer resulting in slower sales growth. Company-owned unit sales increased 18.4 percent for a total of $3 billion. Franchisee-owned unit sales grew somewhat slower at 16.9 percent totaling $9.6 billion.

Hamburger franchise operators predict sales will rise at more moderate rates for 1980 and 1981 primarily due to the 1980 recession. Growth for 1980 and 1981 is projected at 14.3 percent and 14.7 percent, respectively.

Franchise Restaurant Sales By Restaurant Type 1978-1981

Restaurant Category	Total Sales (Millions) 1978	1979	1980*	1981*
Chicken	$ 2,034	$ 2,258	$2,453	$2,697
Hamburger, Etc.	10,863	12,740	14,565	16,701
Pizza	1,735	2,142	2,354	2,735
Mexican	602	695	751	823
Seafood	564	774	853	957
Pancakes, Waffles	601	726	807	918
Steak, Full Menu	4,532	5,225	5,681	6,332
Sandwich and Other	170	206	251	323
Total	$21,101	$24,766	$27,715	$31,486

*1980 and 1981 Sales Estimated by Respondents.

Source: U.S. Department of Commerce, Service Industries Division, *Franchising in the Economy, 1979-1981.*

Pizza Franchise Sales Increase 23 Percent

Pizza franchise firms increased by seven in 1979, bringing the total number of such firms to 73. Sales totaled $2.1 billion, a 23.4 percent gain over 1978. One reason sales for pizza restaurants have remained strong is that consumers have increased the number of times they go to a pizza restaurant. The results of a CREST Study conducted in 1979 for the NRA show that traffic increases for pizza restaurants were primarily the result of shifting gains by patrons from other restaurant categories such as chicken, fish and budget steak. (See March/April 1980 *Foodservice Trends.*)

Pizza franchise operators predict sales to increase at a slower rate of 9.9 percent in 1980, but estimates for 1981 are for a much stronger 16.1 percent advance.

Mexican Franchise Sales Total $695 Million

Sales totaled $695 million for Mexican franchise restaurants in 1979, up 15 percent from the year earlier and nearly twice the 7.6 percent gain franchisors had predicted for 1979. The increasing popularity of this restaurant type probably contributed to the better than expected performance. Franchisors expect slower growth of 8 percent and 9.6 percent for 1980 and 1981 respectively.

The number of Mexican franchise firms totaled 28 in 1979, down from 29 in 1978. This decline could be due either to mergers or franchisors going out of business or abandoning the franchising system. In spite of this, the number of units totaled 2,477, an increase of 6.4 percent from the year earlier, and unit growth is predicted to be somewhat stronger in 1980 and 1981.

NRA Offers Updated "Franchise Restaurants a Statistical Appendix"

For the fourth consecutive year the National Restaurant Association is offering its readers a statistical appendix to the annual report on franchise restaurants. The information summarized in this appendix was obtained from the Department of Commerce publication, *Franchising In The Economy, 1979-1981.*

This new edition includes historical sales and establishment data, revisions for 1979 and estimates for 1980 and 1981. Readers may obtain a copy of *Franchise Restaurants: A Statistical Appendix* for $5.00 from NRA's Educational Materials Center, 311 First Street, N.W., Washington, D.C. 20001 or call toll free, 800/424-5156, and ask for the Educational Materials Center. Specify order no. MG207 when ordering.

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Chicken Franchise Sales Increase

Chicken franchise sales increased 11 percent in 1979 following a decline of 2.6 percent in 1978. Franchisee-owned unit sales advanced 10 percent, a substantial gain over the 9.2 percent decrease in the prior year. Company-owned unit sales growth continued at a strong pace, up 13 percent from the year earlier. Franchisors predict that company-owned unit sales will continue to rise at a faster rate than franchisee-owned units for 1980 and 1981.

Chicken franchise restaurants totaled 7,075, a gain of 5.5 percent from the prior year, and franchise operators predict stronger unit growth for 1980 and 1981 with increases of 6.6 percent and 8.3 percent respectively.

Seafood Franchises Post Strongest Sales Gain

Although the number of seafood franchise firms remained unchanged at 11 between 1978 and 1979, sales at seafood restaurants increased 37 percent in the one year period. This is a significant improvement over 1978's sales decline of 2.6 percent. Sales in 1979 were strong for both company-owned and franchisee-owned units with gains of 46.7 percent and 31 percent respectively. Respondents forecast considerably more moderate sales growth of 10 percent in 1980 and 12 percent in 1981.

The eleven seafood franchise firms had a total of 2,383 establishments in 1979, an increase of 3.7 percent from the year earlier. Company-owned units grew at a faster rate than franchisee-owned units, 7.3 percent versus 1.4 percent. This trend is expected to continue during the next two years.

Steak/Full Menu Franchise Firms Increase by Eight

The number of firms engaging in steak/full menu franchising totaled 94 in 1979, an increase of eight from the previous year. This category has experienced considerable growth in the past several years with the number of firms rising by 7 in 1978, 3 in 1977 and 9 in 1976. Sales for these firms slowed in1979, advancing 15.3 percent versus the 18.5 percent rise in 1978. Operators forecast sales to rise at a slower 8.1 percent pace in 1980 and 11.4 percent in 1981.

Outlets in this category increased 7.1 percent in 1979, for a total of 8,487. The number of establishments is expected to increase 6 percent in 1980; however, estimates for 1981 are for somewhat faster growth of 7.6 percent.

Pancake Franchise Sales Total $726 Million

Pancake franchise firms reported a strong sales gain of nearly 21 percent in 1979 compared with the 9 percent advance in the prior year. Sales are estimated to increase 11.0 percent in 1980 and 13.8 percent in 1981. The number of establishments totaled 1,600 in 1979 for the 16 franchise firms. Respondents estimate the number of units will increase 7.5 percent in 1980 and 9.6 percent in 1981.

Sandwich Franchise Sales Continue Strong

"Sandwich and other" franchise restaurants posted a sales gain of 21.3 percent in 1979, considerably slower than the year earlier's 35 percent advance. Sales are estimated to increase 22 percent in 1980 and 29 percent in 1981.

The 33 franchise firms had a total of 1,197 establishments in 1979. Units are forecast to increase 14.5 percent in 1980 and 21 percent in 1981.

Franchise Restaurant Establishments by Restaurant Type, 1978-1981

Restaurant Category	Number of Total Establishments 1978	1979	1980*	1981*
Chicken	6,708	7,075	7,545	8,147
Hamburger, Etc.	26,038	27,310	29,148	31,382
Pizza	7,542	8,407	9,029	10,102
Mexican	2,329	2,477	2,668	2,933
Seafood	2,297	2,383	2,531	2,745
Pancakes, Waffles	1,441	1,600	1,720	1,886
Steak, Full Menu	7,294	8,487	8,989	9,672
Sandwich and Other	1,033	1,197	1,371	1,664
Total	55,312	58,936	63,001	68,558

*1980 and 1981 estimated by respondents.
SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising In The Economy 1979-1981.*